

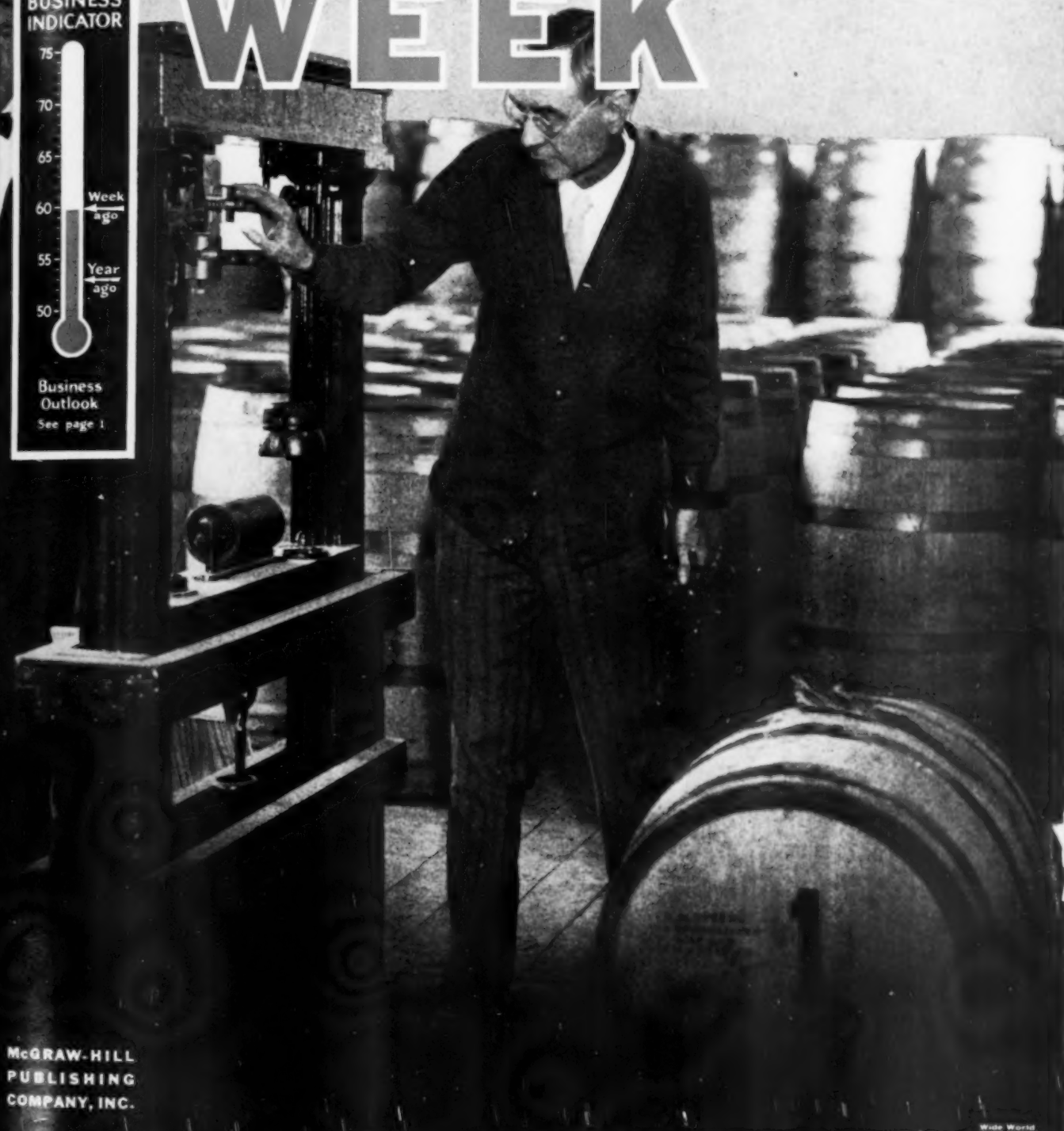
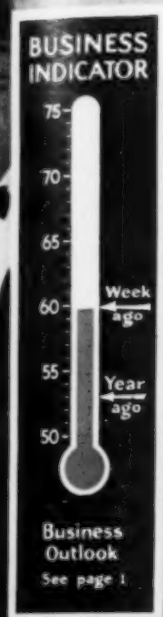
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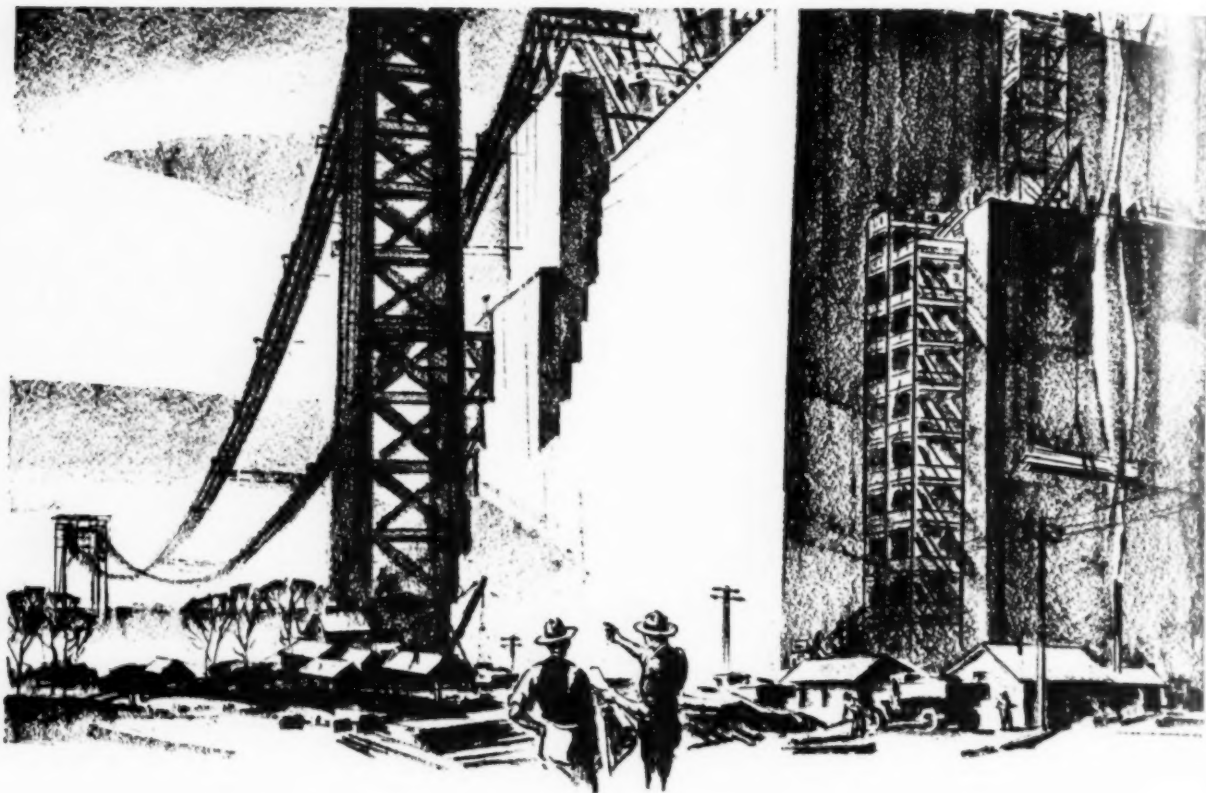
BUSINESS WEEK



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This Business Week

THE Secretary of Agriculture, Mr. Henry Agard Wallace, is entitled to the congressional medal, for being the first employed politician in high office to tell the American public the exact truth about the relationship between tariffs, foreign trade, and foreign debts.

He expressed a simple formula. We are either a creditor nation with an international policy, or a debtor nation with a national policy. Foreign debts are paid only in goods and services. If we loan money abroad and expect to be repaid, we must buy more goods than we sell. If ours is to be a nationalistic policy, we must do away with the surplus output of 50 million acres of marginal land and trim our factory output to national needs. A half-way policy must go half way in each direction.

Adam Smith knew about this, but Mr. Wallace seems to have been the first politician to discover it.

THE Comptroller-General ruled that until the government proves Ford has violated the code, he is eligible to bid for government business. Washington observers weren't sure whether this was the end of the story. A slight change in phraseology of the executive order would write a new chapter—for instance bidders might be required to "announce adherence" to codes instead of, as now, "comply with all provisions of the code."

AN impression has been created that Mr. Eastman is completely committed to the Prince plan for railroad consolidation. He is not. He and his staff are studying it from every angle. There are advantages in consolidations, but also tremendous disadvantages, as nobody knows better than the Coordinator. Mr. Eastman himself does not yet know what his conclusion will be.

FIRST full week's figures on oil production show that even Texas, bad boy of the oil states, is beginning to take the District of Columbia seriously. Production is well within quota.

THE Administration is as reluctant to clap on price-fixing in the petroleum industry as in others. Scheduled for December 1, Administrator Ickes intimated this week that it may be postponed on the ground that the industry and the consumer have not had their say.

SEVERAL hundred thousand holders of Samuel Insull's monument, Middle West Utilities Co., have waited patiently for information concerning possible reorganization. They will have to wait

longer because of the new Securities Act. The protective committee for note-holders says it "will not assume responsibility for reporting the activity of others of which it cannot obtain personal knowledge except at great expense."

FRANCE can stand the pressure of cheap pounds and dollars so long for a curious reason—her exports are luxury goods. Rising prices quickly kill exports of staples, but perfumes, silks, laces, wines aren't so sensitive. It is the impossible budget situation which probably will force France off the gold standard eventually.

FLIGHT of money to London carried the dollar by the old parity at 50 miles an hour. It is apparent that the world would rather trust the British off gold than the French on gold. It is an illustration, on a grand scale, of the elder Morgan's belief that the best asset is reputation.

"BOBBIE," the now famous secretary to Gen. Hugh S. Johnson, has quite a fund of funny stories. Several times when

she accompanied the General and some of his associates to the White House she would break in with one. After that the President wanted more.

"Listen, Bobbie," said one of Johnson's aides as a group waited to see the President, "for God's sake, hold off your stories until we get this business settled. He won't listen to us after you start."

THE trouble with the farmers' holiday is that they take it at the wrong time of year. Proper codification would require all farmers' strikes to be held during the planting season.

A DOLLAR based on the wage paid unskilled labor is being advocated by the Crusaders for Liberty in lieu of a commodity dollar. More is going to be heard of this dollar and this organization. Its forthcoming convention in San Francisco will reveal that it has built up a strong national organization.

CHICAGO gained a reputation as a convention city as a result of A Century of Progress. Closing of the Fair by no means ends the parade. Sixty-five national or territorial gatherings already are scheduled for December and 23 for January. The national ping-pong championship will be at stake in March.

The Business Outlook

Business spun with the gyrating dollar this week. Europe, finally convinced that the President meant what he said, sold dollars heavily, fled to sterling to await further developments. The Woodin-Acheson departures strengthened the convictions. . . . At home, the gold experiment has had a partial success in raising prices, has created uncertainty tending to slow down business activity, has depressed government bonds. . . . Steel is bearing up well. The combined support of miscellaneous consumers, a scattering of motor buying, and a significant gain in public projects gave it a slight boost. Meanwhile, preparations for more substantial rail purchases are under way. . . . As employment expansion in manufacturing industries slowed down, probably coming to a halt in October, the Administration's civil works program became more important. . . . Department stores found customers balking at higher prices; chain and mail order houses got the benefit of their temporary lag in price adjustments. . . . Cold weather repaired the sag in the demand for electricity. Carloadings slide down the year-end chute. . . . Currency figures reflect the approach of holiday trading—a big x in this year's business equation. . . . While Litvinov and Roosevelt bargain, the rest of us study Russia's buying power and ability to pay, listen to Secretary Wallace telling the truth about foreign trade.

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BUSINESS WEEK

NOVEMBER 18, 1933

One-Way Street

Reports of Presidential wavering on the gold policy have no solid basis.

WASHINGTON—President Roosevelt is alleged to have remarked to a friend that if he were to sing a song to the New York bankers, brokers, and newspapers he would choose, "They Wouldn't Believe Me."

Europe and Wall Street, with the aid of the morning New York newspapers, which play a very important part because correspondents of foreign newspapers base many of their dispatches on them, have persistently misrepresented the Administration's policy on inflation and gold ever since inauguration.

The Latest Instance

The latest instance: The President met his monetary advisers at the White House on the night of Nov. 12. Next morning the newspapers insisted that the Administration was startled at the drop in the price of federal bonds, and as a result was going to backstep on its gold policy.

Actually, on Nov. 13, the government again advanced the price of gold 13¢ an ounce.

The whole point is that Europe, Wall Street, and newspapers of New York and certain other Eastern cities, wanted the government to retreat on the gold policy.

The Washington writers for these newspapers, sure of their editors' views and probably agreeing with them, take the natural tack of trying to report in harmony. This is good tactics. News is obtained in Washington on very thin lines indeed. In the absence of official pronouncements, stories have to be written on hints here and there. So there is a big chance for error.

Now if the poor Washington correspondent errs on the side of the policy of his paper, that is much easier for him to defend than if he errs on the opposite side.

Here's the Record

Let's look at the record, as a prominent Democrat not particularly in sympathy with the Administration sometimes remarks:

(1) Roosevelt's inaugural speech. "Adequate but sound currency." A sure tip to inflation, but not so construed in New York or Europe.

(2) Gold embargo. Followed by columns in New York newspapers,

saying that it was only temporary, that it would be lifted to keep the dollar at par in international exchange. Which last was precisely what the President did not want, as *Business Week* made clear at the time.

(3) Roosevelt's repeated promises to put commodity prices up, especially of farm products, using any means necessary. But it took a Sunday night radio talk by the President, months later, to make the people believe that he really meant it.

(4) Promise of New York newspapers in the latter part of June that pound and dollar would be stabilized. Roosevelt's July 3 message to the London Economic Conference made it clear that pound and dollar would not be stabilized until he had attained his main objectives. What main objectives? Somewhere around the 1926 level of commodity prices.

Pressure for Stabilization

(5) Campaign to convince the President he must stabilize the dollar in the interest of business—make long term contracts possible, etc. Followed by purchase of domestic gold at higher prices.

(6) Europe doesn't believe it. Neither does Wall Street. The President begins purchase of gold abroad. Again Europe and Wall Street do not believe the signs.

(7) As a result of this disbelief stock and commodity prices decline for a few days after the announcement. Europe believes it can sell gold at above \$30 an ounce, and buy it back later at the old price.

(8) Europe tumbles to the fact that Roosevelt means business, and the dollar toboggans. Which was followed by the latest outburst that the whole thing is absurd, must crumble, and be discontinued.

The point of this dispatch is not to prove whether Roosevelt's policy is right. It is merely to prove that he has been shooting at the same goal all the while, and giving plenty of signs that any disinterested person should be able to read.

From the moment the President made it clear that commodity prices would be put higher, no matter what means had to be used, it was evident

that it would be smart to switch from bonds into either commodities or good equity stocks. Theoretical as his professors may be, they understood this, and have been flabbergasted at the failure of commodity prices (since the July break) to respond as they expected.

Just Eye-Wash

So the story in Nov. 13 papers to the effect that the government is disturbed at the decline in government bond prices is eye-wash. The Administration is not disturbed about government credit. It was a little surprised, in view of the unmistakable promise to devalue the dollar to 1926 levels, that it should have had so little difficulty in refunding the Libertys. But it believes that whenever it does obtain its objective, and stabilize the dollar, it can sell all the bonds it wants within reason.

Or if the whole plan fails, and the government goes back to gold at some basis, again there would be no trouble selling a certain amount of bonds.

Incidentally, the Wall street hope for sound money is particularly futile in view of the known fact that there is tremendous sentiment among the Senators and Representatives for inflation. It would be easy to muster a majority—but probably not a two-thirds majority to override a veto—for some wilder inflation than the President proposes. It would be almost impossible to muster a majority to force a return to "sound money."

No one is as astonished as President Roosevelt and his immediate permanent—as against occasional—advisers, that the attacks have been so disconnected, so lacking in planned strategy, and so unpolitical.

Two Major Objectives

Roosevelt believes that if he can accomplish two objectives no criticism will make any difference. One of these is to raise commodity prices, and the other thing is to get a considerable fraction of the unemployed to work.

That is why he has concentrated so much on the monetary policy. He is an enthusiast on the commodity dollar, and by setting 1926 prices as his goal and linking them with the commodity dollar, he thinks he can achieve his aims. Actually he is very much pleased at results so far.

NRA and Public Works are both in for a lot of criticism. Criticism of Public Works, especially for slowness, is bothering the Administration no little. The latest move to head off fault-find-

ing is the announcement of transferring men from relief rolls to public works rolls. The President is pleased at the reactions—especially in the market.

So far the Administration is rather cocky about the whole situation. For example, the Wall street "sound money" attacks are precisely offset by the clamor out in the sticks for more

inflation and wilder inflation. No Republican has joined Schall in his blanket-attack on NRA. No one is being built up by the Republicans except La Guardia, and conservatives like him less than Roosevelt. Professor Tugwell almost persuaded Roosevelt to put La Guardia in an important place in the Administration.

there have been substantial transfers of the franc, also inspired by the fear that France may abandon the gold standard. This market tendency has been overcome by the weakness of the dollar and at midweek the franc had crossed 61¢.

The concern expressed by the financial press when government bonds were declining sharply finds reflection in this week's business comment despite some recovery in quotations. Nothing has developed to indicate that government credit has been impaired in the least. Selling was started by big banks which foresaw a declining tendency in the market. Speculative selling followed. Neither a reaction in government bond prices nor a downward trend over a considerable period necessarily suggests a weakening of government credit.

Direct opposition not only to President Roosevelt's monetary objective, but also to his recent procedure in reaching it, is becoming organized and vocal. The moratorium on criticism seems to be at an end. Bank economists who have confined their comments heretofore to confidential memoranda are beginning to write openly in objection. The Chamber of Commerce of New York is taking leadership in the movement, along with the Crusaders. These are looking to the American Federation of Labor, American Legion, and other groups which have mildly protested against inflation, usually with the flat dollar in mind, to join them.

Dollars Slide Faster

Gold policy is helped on its way by speculators' bets on further inflation, strengthened by the Treasury changes.

EFFORTS of the Administration to depress the buying power of the dollar succeeded so well this week that foreign exchange markets were in a turmoil. Our exchange broke so rapidly abroad that at times the foreign quotation was more than a dollar an ounce below the domestic price, as indicated by the American gold quotation. For the second time since the present gold policy went into effect Oct. 25, the Reconstruction Finance Corp. refused on Wednesday to advance the gold price of the day before. Nevertheless, the dollar broke 60¢ both in London and Paris on that day. The noon price of the pound sterling was \$5.41 and the franc 6.56¢. The dollar had reached its lowest level since the Civil War.

Exchange brokers believe that these rather startling declines were primarily predicated upon speculative anticipation of further drastic inflation of American currency under the present Roosevelt plan. The flight of the dollar and of some continental currencies to the pound sterling was a contributing factor, as were also political developments.

One political event which probably had a direct effect on the gold market was the retirement of Secretary of the Treasury Woodin on leave of absence, the resignation of Dean Acheson, Under-Secretary, and the appointment of Henry Morgenthau, Jr., as acting secretary.

These sudden changes destroyed the last ray of hope for that financial and political group, ranking from conservative to reactionary, which has been finding an occasional straw in the political wind to suggest that President Roosevelt may be abandoning the Brain Trust, turning to the right, or receding from his announced intention to depress the dollar and stabilize it through a system of managed currency.

The Treasury Department has been the stronghold of this element. Conservative resistance to the more radical aspects of currency adjustment has centered around Dean Acheson. Henry Morgenthau and his father are assumed to represent the middle ground of liberal business men in politics.

It is still impossible to measure the flight of the dollar to London. Such transfers are not easy and the actual volume of them is not disturbing to bankers as yet, but foreign exchange markets are so sensitive that a relatively small amount of trading has had an important effect on quotations. This conclusion is borne out by unauthorized but official statements in Washington that our purchases of gold abroad since Oct. 25 have been so small as to be of no consequence in a normal market.

There have been important transfers of continental currencies to London in the last fortnight. Despite the difficulty of getting funds out of Germany, such transfers have had an effect on the sterling market. It is understood that



"TO 50¢ BEFORE CHRISTMAS"—Might almost be the government's slogan for the dollar. Anticipating Washington's devaluation policy, London and Paris both pushed the dollar, in terms of gold, well below 60¢ after this chart was made.



PIGEONHOLES FOR LINERS—Building New York's new terminal to take the longest transatlantic ferries. Once finished, they will clear the way for the missing link of the express highway.

Wide World

Construction Code Fight

NRA's plan for a master construction code with 20 supplemental codes integrates the industry for the first time, but labor's demands imperil success.

SPARKS have been flying for weeks from the saucepan in which the code of the Construction League of America has been cooking at NRA. Next to the self-government-of-industry issue, it is now the hottest dish on the NRA range.

Early in the history of NRA, codes from varied sections of the construction industry came in. Careful study revealed conflicts in a dozen directions. This led to the decision that the best plan was to discuss one master code, of the Construction League, with a series of supplemental codes, among them those of the architects, engineers, general contractors, and sub-contractors, in all, 20 supplemental codes. The idea was that in this way the sub-contractors, overlapping into various fields, and the big groups of highway, heavy construction, house building, etc., could best reach a genuine organization—a thing never known in the construction industry. The code hearing was held 2 months ago.

Labor appeared, presented its demands for a recognition of the craft lines, adoption not merely of the basic minimum wage for common labor decreed in the NIRA (the law itself) but of fixed minima for the various grades of labor employed in construction, setting the proposed wages as the scale adopted by the Public Works Adminis-

tration. The employers declared that at such wages the building industry, already flat on its back, could not look forward to a revival in any measurable time, held that the 30% which the PWA assigns as an outright gift to public works is to make up for the extra cost of labor under its scales, and that this free gift is not available to private construction. Employers presented figures to show that private capital normally finances \$10 billions of work a year, must resume that job before recovery is widespread, cannot do it at artificial wages. The unions held that the gains made through PWA must not be lost, would not be lost.

The hearing finished, Deputy Administrator Malcolm Pirnie (then assistant deputy under Malcolm Muir) proposed that to meet these demands, a step-up plan (BW—Oct 14 '33) be adopted by which wages should remain at present levels for one year, then step up, with full advance notice, by 20% and hours be cut to 40 a week; 6 months later, advance another 20% to the full PWA scale, at 30 hours a week. Labor landed on this with loud cries. Unionists charge that it seeks to reduce present wages (which it does not) and that the plan's object of moving forward the coming big hump of construction, estimated by Mr. Pirnie as due in 1936,

was merely to rob labor of its just gains. The plan was later dropped in the interests of peace.

Meanwhile, the building trades, led by M. W. McDonough, president of the Building Trades Division of the A. F. of L., descended on NRA, demanded that the proposed code be scrapped, that a myriad of smaller codes be adopted, labor left in its full control and given its definite minimum scales for the whole country.

Mr. Rosenthal Appears

Oscar Rosenthal, of Chicago, representing the Building Trades Employers Association and the National Association of Builders' Exchanges, had appeared at the hearings of the Construction League Code. He proposed, following the representations of the union representatives, a new code embodying the union demands. The Construction League charged that the Rosenthal groups, even though many of the leading contractors of the country are members, are actually only organizations for handling labor issues, and are not the construction industry in the meaning of the law. The retort was that the Construction League did not represent all the construction industry either. True, the Construction Leaguers replied, but it represented all there was of organization, and the engineers, architects, and sub-contractors, speaking for themselves as organizations, also spoke for the mass of builders and small contractors who employed mostly themselves, did a high percentage of the construction work of the country.

New Hearing Granted

Charges of star-chamber conferences in NRA, of a deliberate effort to eliminate the labor interest, have been made in the last few days. Demands for a reopening of the case, from the Rosenthal and union labor side, were met with replies that all had been said that had to be said, in the open hearings. But Division Administrator Malcolm Muir decided that in view of the high temperatures which had been engendered, the best way to handle it was to bring the whole thing out into the open again, so the lid has been lifted.

Reopening is set for Monday, Nov. 20. Chief question will be labor's demand that the proposed master code be replaced by several divisional codes, opposed by the Construction League.

The problem is divided easily into two phases. One is the suspicion of labor that something is being put over. Mr. Muir declared that the gold-fish bowl is still operating, and there will be the open hearing, if labor wants it. The second phase is not so simple. It is a difference of opinion between organized labor and the writers of the code as to what is in it and what ought to be. Labor wants scales for unskilled, semi-skilled, skilled, and highly skilled, and

would like to specify the differences by crafts, make them minima for the whole country, raising carpenters' wages in rural sections, for instance, 300-400%. NRA legal counsel has ruled that the law requires and permits fixing only of minimum wages for common labor, that only where an industry, like the bituminous coal industry, makes a contract with labor, and decides, of itself, to write that contract into the code, does it get in. NRA cannot impose schedules on an unorganized industry; both the industry and labor must agree and the industry voluntarily include the scales.

"Even if we could put in a scale," says Mr. Muir, "it would have to be a minimum scale, and collective bargaining, as now, would have to determine its application in different parts of the country. Collective bargaining is the solution of the whole problem, and we shall provide for that in any code that passes NRA."

More Worries for Labor

Labor also has apprehensions about the enforcement of the labor provisions and the settlement of labor disputes. These, under the code and under the ruling (*BW—Nov 11 '33*) of NRA that labor problems shall be handled by code authorities only through committees or boards on which labor has an equal representation with industry, are to be handled by the "area agreements." The governing boards of these agreements are to be local, but are to be appointed by NRA, not chosen locally, and therefore, apparently, guarantee a full representation of union labor, even if the regions are not preponderantly unionized. It is probable that a national authority will have to be set up above these local labor boards for the industry, and the final code will probably contain provisions for it. The "area agreements" are optional, not mandatory, as some labor opinion has it, but although there have been charges that labor wished to keep the situation out of the hands of possibly non-union local boards, the understanding at NRA has been that labor is anxious to get at the "gyp contractors" and improve all conditions, not merely enlarge union memberships, as has been charged.

An Integrated Industry

One of the objects of NRA is to organize industry. For the first time, the construction industry is getting together. It is suggested that union labor, which has dealt so powerfully with virtually unorganized construction employers, may not be very enthusiastic about this.

Into the controversy was injected, last week, a statement from the Chamber of Commerce of the United States, which pointed out a peril in the proposal of the union leaders that "there should be a nation-wide rate of wage below which

no worker might be employed, the rate being the same, for example, in Montana, Arizona, Maine, most of Texas, and Wisconsin outside of Milwaukee."

It is a tense situation; the air is electric. But NRA has handled tough problems before, believes it can solve this one.

Codes Speeded Up

Mills of NRA are being re-jiggered to make them work faster.

CODE-MAKING continues apace at NRA, 26 hearings being held this week, with the wholesale code as the outstanding feature. Next week the list includes:

Nov. 20—Laundry trade, pottery supplies, witch hazel, sanitary and waterproof specialties, allied stone equipment and supply; Nov. 21—Cotton ginning machinery, brush manufacturing, advertising display installation, talc and soapstone, fiber wallboard; Nov. 22—Diesel engine, insecticide, candle and beeswax, wet mop, scrap iron and waste materials, a code embracing leather cloth and lacquered fabrics, window shade cloth and rollers, and book cloth and impregnated fabrics; Nov. 23—metal lath manufacturing, coin-operated machines, dry and polishing mops, lime industry (modification), textile bag (modification); Nov. 24—engineering inspection, linen supply trade, conveyor and material preparation equipment manufacturers.

Code-making procedure is undergoing changes designed to increase speed. The advice of the industrial, labor and consumer's boards of NRA is not longer to be a matter of mandatory consideration in the final framing of codes. A recent order provides that unanimous agreement with these bodies

—which are actually unofficial so far as NRA procedure is concerned—need not be obtained before passing a code on to the President for his signature. The differences of opinion must be noted in the covering brief, but the code can travel forward without everybody's being convinced that it is as nearly perfect as possible.

This decision has been made in the interest of speed in handling of codes, although there have been some dubious observers who think that it is piling up wrath against the day of enforcement.

The provision, now contained in some of the new codes, for a Joint Industrial Relations Board on which labor has an equal representation with the employers, obviates many of the difficulties that have arisen in the past with the Labor Advisory Board.

Another innovation in code formation appeared in the dress manufacturing industry code, recently approved. By the executive order of the President, the western area of the country, excepting Chicago and Cleveland, was specifically exempted from the operation of the wage scale of the code pending "the prompt holding of . . . further hearings." Questions relating to the competitive position of a number of smaller dress manufacturers in the West had been brought out in the hearings. It was decided that, instead of putting perhaps unacceptable provisions in the code, and then allowing the Western manufacturers to ask exceptions within 10 days, as has been the practice up to the present, the hearings should be provided for in the executive order putting the code into effect. This will obviate the danger of an attack on the whole code by the dissenting members of the industry from holding up its going into full effect.

Regulating the Trucks

Code for highway carriers, affecting perhaps 5 millions, launches a battle of widely diversified interests with the railroads watching eagerly from the sidelines.

THE code for the trucking industry, now before the National Recovery Administration, not only presents what may eventually prove to have been the supreme test of NRA's power to coordinate and unify, but also turns the national spotlight on the bitter realities of the modern struggle between railway and highway transportation.

To the NRA and particularly to Deputy Administrator Malcolm Muir must go the credit for the fact that sufficient unity was created to have the various factions combine their forces in the newly formed American Trucking Asso-

ciations, Inc., and reach some semblance of agreement so that a single basic code for the industry might be presented for public hearing. Originally nearly 100 codes, representative of every kind of truck transportation, were in the works, with those of the American Highway Freight Association and of the Federated Truck Associations of America reflecting the ideas of the 2 most influential groups.

As now drafted, the code will draw fire from important factions. The old American Highway crowd, made up of faithful believers in the prior rights of



NEW FEDERAL TRADE COMMISSION—Left to right, Commissioners Landis, Ferguson, Chairman March, Commissioners Davis and Mathews. Landis is the youngest man ever to be appointed; he helped write the Securities Act which the Commission will administer. Mathews replaced Humphries who fought removal.

the railroads, is anxious to place all truck transportation under restrictions and surveillance similar to those imposed upon the railroads. Independent truck operators claim that the master hand of that group shaped most of the code Article VI covering rates and tariffs, which among other things specifies that minimum rates and tariffs may be formulated by members of any territorial or natural group of the industry "provided that such rates and tariffs are. . . . (b) directly related to and not more than existing rates and tariffs of competing railroad services which are on file with the Interstate Commerce Commission or any other appropriate regulatory body."

Those who operate trucks for hire, whose interests were formerly represented by the Federated Truck Associations, do not propose to sacrifice the freedom and flexibility of their present method of operations to the rigidity of restrictions designed by railroad-minded competitors. They believe that their very existence depends upon the preservation of a state of complete independence from all railroad influence.

Private Owners Worry

Lining up with this sentiment are the large business concerns which operate their own fleets for the transportation of their own products and supplies. While the code, as now drawn, gives such concerns the opportunity to operate their trucks under the provisions of their own industry codes, if any, leaders in this group do not relish the thought of having transportation by common carrier once more relegated to the overshadowing influence of the railroads. The National Industrial Traffic League, their spokesman, recently declared that "the League is opposed to the inclusion in the motor truck code under the NIRA of any provisions, fixing or regulating rates for transportation."

No less interested but less well organized for coordinated opposition to some of the restrictive provisions of the code, thousands of independent and individual operators of for-hire trucks are

wondering what the code for trucking will ultimately contain. Those who run one or a few trucks, cater to a rather limited and select class of customers, and cover a small territory, are not so much worried about the rate-fixing problem as about the matter of shorter hours and higher minimum wages. Most of them have been running along, glad to have steady work, satisfied to make enough for current expenses and a living for themselves, and the relatives and friends they generally employ. Code observance will force them to ask higher rates, undoubtedly lose them trade, may switch some of their customers to operating their own trucks.

Puzzled Wild-Cats

Similarly concerned over the prospects of a code are the thousands of so-called "wild-cat" truck operators. They have been accustomed to take business wherever they found it, at whatever rates the traffic would bear. When they realize that, under the code, they would have to charge at least cost for services, determine that factor of cost by an elaborate and eventually mandatory uniform accounting system, issue freight bills, shipping orders or bills of lading for every individual shipment and keep a duplicate set of these as a permanent record, they see little chance for continuing.

Truck manufacturers also are deeply interested spectators. While those with well-established distribution look for little change in their particular market if the code is approved substantially as submitted, others that have depended upon the small truck operator for much of their business are clearly worried. They see in the code the possibility of practical elimination of their principal class of customers and greatly increased obstacles in their path toward exploitation of fields in which the larger companies have gained an impregnable position.

Several of the groups, already at odds over the rate regulations of the code, also take exceptions to its hour and

wage provisions. While a basic maximum of 48 hours a week is specified, the exceptions permitted appear so elastic that even the sponsors of the code thought it wise to insert a clause limiting the hours of work for any one employee to 16 in any 24-hour period. Similarly, the sliding scale of minimum wages, extending from 20¢ to 50¢ an hour, according to size of city and North or South location is considered far from satisfactory particularly in view of the qualifying clause which provides that "(d) The point of origin of the principal freight movement shall determine the application of provisions based on population." It is held that this leaves the truck operator who regularly trucks produce, live stock, or manufactured goods from a small town into a large distributing center free to haul return loads in competition with others at rates determined on the basis of the much lower wages permissible in the smaller towns.

5 Million Men Interested

Few outside the trucking industry have recognized the importance of the trucking code as a factor in promoting the NRA program. Insiders point out that in 1932 over 3½ million motor trucks were registered. Of these, the 26% used by farmers in the transportation of their own property, produce or supplies are specifically exempted from the provisions of the code. The balance of nearly 2½ million trucks will be directly or indirectly effected by this code, so that, with an average of 2 men employed for each truck in service the working hours and wages of over 5 million men will be influenced. Of all the codes so far approved only the retail code can be said to affect a greater number of people.

Labor officials have recognized the possibilities in this field. Through the various railway brotherhoods they have launched a membership campaign among truck drivers and helpers, which at last reports had netted them over 50,000 new members

How They Buy

Mail order houses, nailed to catalogue prices, get the business. A. & P. dollar volume up, but tonnage down.

THE public is quick to grasp bargains and quick to economize when it feels that prices have been advanced too fast in relation to earning power.

There are concrete examples, the business of the two leading mail order houses—Sears, Roebuck & Co. and Montgomery Ward & Co.—and the largest food distributing organization—the Great Atlantic & Pacific Tea Co., with its billion dollar annual sales before depression.

Mail order catalogues are made up about 6 months in advance. Dun & Bradstreet's commodity index today is above 100, as against about 75 a year ago, whereas mail order current catalog prices are only 12% over a year ago.

It is the mail order division which has been showing the best gains in recent months and contributing largely to the sharp increase in total sales. Sears in the 4 weeks ended Nov. 5 showed a total gain of 20.9% over last year; Ward for October an increase of 16.21%. Mail order sales were less than half of total sales in 1932, retail stores more than half.

While price has probably been a factor in the increase in business, improved purchasing power in some sections of the country has contributed. In the South, the higher price for cotton has helped. In some of the grain farming sections there have been crop failures which higher prices have not fully offset. In other parts, the advance in farm prices has not been commensurate with the increase in products required by the farmer.

Economizing on Quantity

The public is spending more money for food, because prices have soared and it takes more dollars to set the family table, but it is economizing on quantities. Consequently the problem of moving surplus food stocks into consumption is being aggravated.

Average weekly dollar receipts of the Great Atlantic & Pacific Tea Co., largest of food distributors, began to rise in May, rose faster in June, while the food price index advanced from 90 to 97. Tonnage volume was fairly well maintained; the public had not yet started to cut down on quantities.

In July, the food index soared to 105. A. & P. dollar volume of sales was slightly lower. Tonnage dropped 5.7% from the June total. In August, the index went to 107, but sales in dollars were off sharply. There was a further substantial drop in tonnage. September found a further drop in tonnage with the price index about the same. Octo-

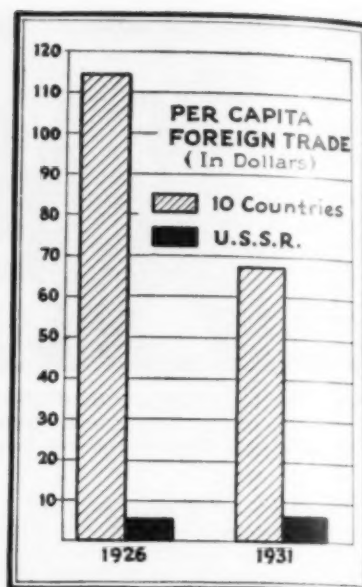
ber saw a pickup in quantity from the September average of 89,410 tons weekly to 94,017 tons, with prices stable, but this movement compares with weekly averages ranging from approximately 99,000 to 101,470 tons in February, March, April, May, and June. The weekly average tonnage sales for September were the lowest in years and 8.73% less than a year ago; dollar sales in the same period were off 4.67%.

This year's figures:

	Retail food price index	Average weekly sales In dollars	In tons
Oct.	*107	\$15,964,004	94,017
Sept.	107	15,165,370	89,410
Aug.	107	15,200,992	91,721
July	105	15,861,221	95,688
June	97	15,900,641	101,472
May	94	15,381,177	99,375
April	90	15,263,956	101,415
Mar.	91	14,996,229	99,038
Feb.	91	15,275,538	101,539
Jan.	95	14,308,873	92,849

*Estimated.

In 1932, the weekly tonnage sales dropped just under 100,000 four times, but never under 98,000.



NEW CUSTOMER—Foreign trade of the "big 10" nations in 1926 averaged \$114.58 per capita, only \$67.83 in depressed 1931. Russia did a per capita business of \$5.11 in 1926, pushed it to \$6.10 in 1931. American industry thinks Russia is a potential "big 10" market, wants to go after the business, hopes the Roosevelt-Litvinov talks lead to a trade agreement.

New Deal with the Soviets

Under close scrutiny, Russia's ability to consume and to pay for its purchases is better than generally admitted.

MAXIM LITVINOV, business man from Russia, held his place in the forefront of the business news this week. While Washington correspondents were writing about the political results of his negotiations with the President, American industry was appraising the probable effect on sales.

The Russia which has been negotiating through Mr. Litvinov is not the undeveloped Russia which the average American thinks it is. The Soviets last year, for instance, produced more agricultural machinery than any other country in the world. They were surpassed only by the United States in the production of oil, general machinery, pig iron, and cotton. Only the United States, Great Britain, and Germany produced more coal last year than the Soviets. They approached France in 1932 in the production of electricity, pulled themselves into sixth place among world producers.

Americans who have done business with the Soviets in the last few years are probably familiar with these facts. Those who are just becoming interested in the potentialities of the Soviet market, and who are attempting to

familiarize themselves with that country's capacity to buy, and to pay for its purchases, are tabulating more facts.

Eager Soviet officials have capitalized the opportunity which has been offered to them in the last 2 years of drawing some unusually favorable comparisons of Soviet production with that of greatly depressed rivals. The production of electricity is most closely watched because it is the key force in the country's vast industrialization program. Where output has declined in most countries, Russia, with Britain, shows an increase in recent years. Principal producer among the new power stations in Russia is the \$100-million Dnieprostroy plant, which will be dwarfed by a projected power development on the lower Volga. Much of the equipment for the Dnieper River project was purchased in the United States, and the construction was under the supervision of an American engineer, Colonel Hugh Cooper.

Russia moved into second place last year as a producer of pig iron, surpassing for the first time such important producers as Great Britain, France, and Germany. Even when the effects

of the depression are discounted, the declining output in Britain and Germany since the war is in striking contrast to the steadily rising output in Russia.

If Soviet production of coal, and oil, and pig iron is impressive, output of automobiles, locomotives, shoes, telephones, and canned goods is still out of line with the potential needs of a market of 165 millions scattered over an area several times greater than the United States. The Russians produced little more than 25,000 automobiles and trucks last year, though, with the active road-building program pursued by Moscow, and the economy of motor transit over the vast areas of the country, there should be a demand ultimately as great as that in the United States. American production of passenger automobiles and trucks exceeded 5½ millions in 1929, might be utilized filling Soviet orders until their home production is geared up to demand.

Locomotives and Shovels

The Soviets produced fewer than 600 locomotives last year. The country lacks snow shovels to keep the roads clear during the winter. Moscow newspapers reported just this week that only 400 shovels are ready for use this winter in a region needing 3,260.

In 1931, only 77 million pairs of leather footwear were made, which is less than 1 shoe to every pair of feet in the country. There is only 1 telephone to every 418 persons in Russia, compared with 1 to every 6 in the United States. Moscow, with a popu-

lation which now exceeds 3 millions, is just starting construction of its first subway system, will need extensive equipment before it is completed. Soviet textile mills already in operation can absorb more cotton than is offered domestically.

For all of these products which the Soviets buy abroad, payment must be made in exports of Soviet goods or gold. Americans, eager to participate in Soviet trade, have been studying recently how much the Russians can export in these 2 categories.

Outstanding Soviet obligations abroad have been reduced about \$150 millions in the last 18 months, are thought to total between \$325 millions and \$350 millions. Obligations of the Amtorg Trading Corp. in New York have been reduced from \$66 millions 2 years ago to \$22 millions at the present time.

The latest report of the State Bank of Moscow, which incidentally has 2,700 branches scattered throughout Russia to handle all kinds of banking business, stated that the gold reserve of the country on Oct. 1 totaled \$416 millions, compared with \$368 millions on Sept. 1, 1932. More than \$48 millions have accumulated in the last 13 months. Only England, France, and Spain have larger gold holdings in Europe.

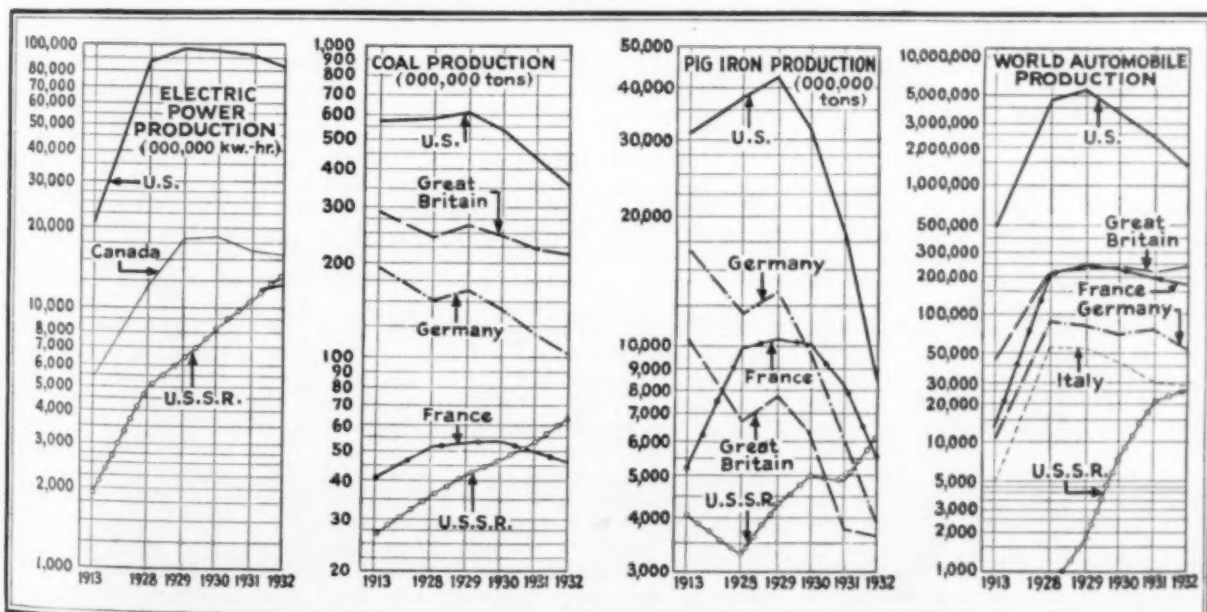
To the American who insists that the Soviets have little to sell in this country beyond products which are in direct competition with American goods, the economists who accompanied Mr. Litvinov to Washington have some data of their own. Of all the imports into the

United States in 1929, more than \$1,200 millions were of goods which the Soviets produce, though not now in adequate quantity in some cases to meet American demands. Even in slim 1932, there were imports of \$330 millions which might have been supplied by the Soviets. Outstanding examples are hides and skins (the United States imported \$177 millions worth in 1929, more than \$22 millions in 1932); furs (American imports ran to \$11 millions in 1929, to \$28 millions in 1932, only \$2 millions of which came from Russia); wood pulp, non-metallic minerals; casings; and manganese.

Working Both Ways

The Soviets want no one-sided business with the United States. They are ready to place large orders in this country if they can find suitable credit facilities and if there is a fair opportunity for developing their sales to this market. Soviet delegations are already in this country lining up certain urgent products needed for their second Five-Year Plan. Other delegations are expected as soon as normal trade relations are arranged. An office has been established in New York to receive advertising from American firms for Soviet newspapers and periodicals.

Except that they are displaying their products as usual in the annual National Hotel Exposition this year, the Soviets have made no move yet to get behind a big sales campaign for Soviet goods. That will come after they are assured that their products will be allowed to enter the country without restriction.



NEW RUSSIA—Second in pig iron production, fourth in coal, and sixth in electric power output is the boast of the Soviets for their 1932 industrial record. Americans saw in rising power output a continuing demand for machine equipment; in negligible, though growing, automobile production a possibility for immediate sales. Russia's physical makeup is comparable to the United States; equipment demands can often be filled more satisfactorily in the United States than in Europe.

U. S. Bond Uncertainties

Sagging U. S. government bonds add to uncertainties of our complicated financial situation.

RECENT decline in government bonds is the most disturbing factor in the present complicated financial situation. In 2 weeks the average price of 8 long-term Treasury issues declined 3.23 points. The new 4½-3½ issue has fallen below 99. Its issue price was 101½. The daily price index of the Federal Reserve Bank of New York shows that bond prices went to a low of 101.36 on Nov. 10. Since that time there has been some recovery, but the price registered then was the lowest since July, 1932.

While in no way minimizing the significant consequences should a collapse in government bonds occur, it is also important not to overemphasize the present situation. The low for government bonds during the depression was reached in January, 1932, just before the Reconstruction Finance Corporation was created in order to bolster up the bond market. At that time, the index for United States government bonds dropped to 93, and the Treasury 3s due in 1951-55 went to as low as 82. We are nowhere near such a slump in government bonds. Only one issue (the same Treasury 3s) has gone as low as 95.28 and the short-term issues and the higher yielding long-term issues are still well above 100. The Treasury 4½s due in 1947, though they have lost 2½ points in one week, are still selling at over 106.

Measuring the Cost

Maintenance of the government bond market is of paramount importance at this time. It is expected that the government will be compelled to issue government securities continuously in order to finance its vast reconstruction programs. The National Industrial Conference Board estimates that the federal government has created contingent liabilities, exclusive of the R.F.C., of \$11,735 millions. Of course this sounds much worse than it really is. It is true, for example, that the government has guaranteed the interest on \$2 billions of bonds to be issued by the Farm Administration, but these bonds are backed by farm mortgages and in no sense would be a burden on the budget. The same thing may be said of the \$2 billions of Home Loan bonds and of the \$2 billions of the Federal Deposit Insurance Corporation. The processing taxes of \$1 billion, for which the government is contingently liable, will be collected from processors. Thus it must be noted that the calculation of the National Industrial Conference Board is not intended to show

that the government debt will be increased by that amount. The figure is merely useful in showing some of the new bond issues that may be expected in the next few years even though these bonds are self-liquidating and are only a contingent liability on the Treasury.

Touching Bank Solvency

Not only is the bond market intricately interwoven with the recovery programs but apprehension of a possible sharp decline is based upon other important factors. It must be remembered that a large proportion of the outstanding United States government securities are held by banks. The 6,606 member banks of the Federal Reserve system on June 30, the latest call day, representing about 40% of all licensed banks in the country, held at that time \$6.9 billions of United States government securities, or about 35% of the total gross debt. There has been some reduction in the volume of holdings in recent months as shown by the weekly figures of reporting member banks in 90 cities. On June 28 these banks held \$5,254 millions and on Nov. 6 these holdings had dropped to \$5,164 millions. The drop is not sufficiently significant to minimize the gravity of the situation to the banks should government bonds suddenly decline. Some of the banks will become insolvent and many more banks will fail to qualify for the deposit insurance Jan. 1. Of course there are provisions whereby the R.F.C. may furnish the banks with capital in the form of preferred stock.

More Possibilities

The decline in the bond market also will make more difficult the refunding operations of the Treasury now under way and further efforts along that line may have to be abandoned. The present gold buying operations of the R.F.C. also will be hampered, if the Treasury certificates do not sell well.

It must be reemphasized that we are here discussing merely the basis of some of the apprehension caused by recent bond price declines. There is no immediate likelihood that any of these dire consequences will occur. The President has at his command effective tools with which to maintain bond prices and to counteract some of their influences, the most important one being the open market purchases of the Federal Reserve banks which in recent weeks have dropped as low as \$10 millions a week in place of the \$35 millions some months ago, and in place

of the \$100 millions a week in the spring of 1932.

If we are to appraise government credit on the basis of its budget, it must be admitted that the Treasury statement looks orthodox enough. The budget since June has been divided into two parts—the general expenditures and income and the emergency expenditures. The general expenditures for the fiscal year 1934 now total slightly over \$1 billion against an income of a little over \$1 billion, making for a deficit thus far of less than \$40 millions. During the corresponding period last year, the general funds expenditures were \$1.3 billions against an income of \$600 millions, making a deficit of \$700 millions. A sharp increase in miscellaneous revenues and additions from processing taxes yielded the larger revenues this year. Total emergency expenditures thus far have been \$507 millions against \$378 millions during the corresponding period last year. The largest item of expenditures was through the R.F.C., \$219 millions, emergency conservation work, \$103 millions, and public works, \$107 millions. In the aggregate, the excess of expenditures over receipts this year is \$545 millions against over \$1 billion during the corresponding period last year.

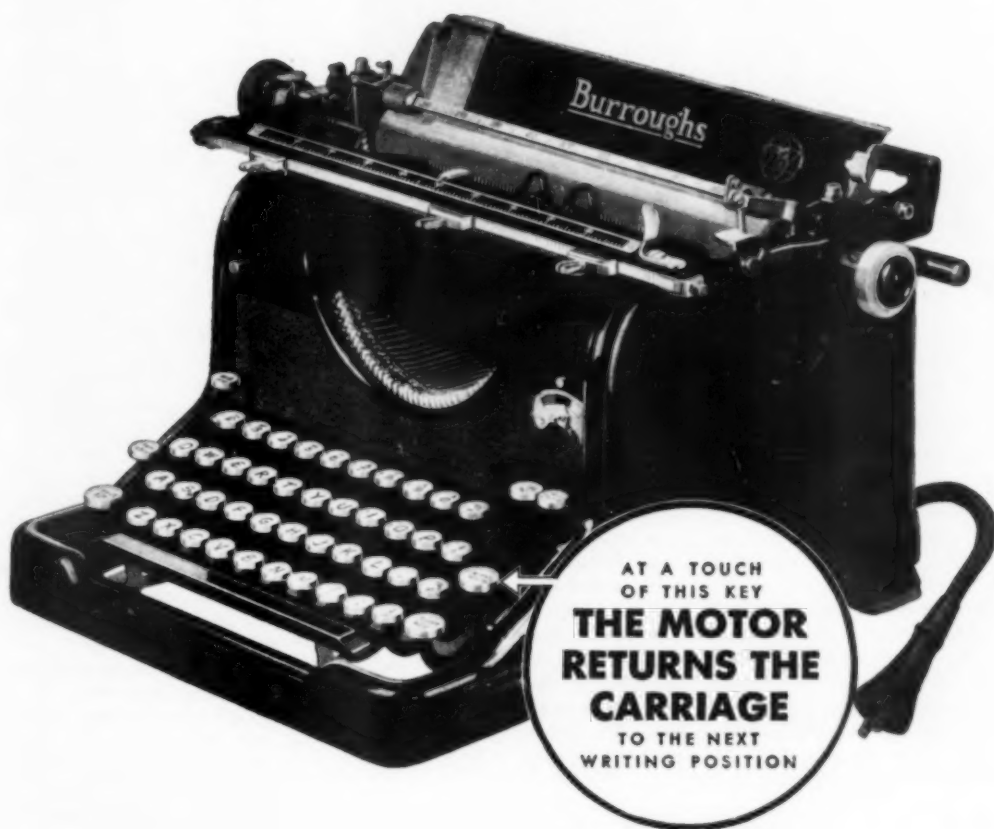
The Public Debt

The public debt now stands at \$23.5 billions, almost \$3 billions more than last year and \$6.3 billions higher than 3 years ago, thus cancelling the reduction of \$6.1 billions effected in the 7 years from 1923 to 1930.

The public debt has undergone an important change in its composition. In June, 1930, bonds formed 75% of the Treasury's borrowing, but in September, 1933, with the debt increased over \$23 billions, outstanding bonds were only \$15 billions, or 69% of the total. The notes which aggregated less than a half billion dollars in 1931 now total over \$5 billions. This condition has been brought about by the inability of the government to float bond issues on favorable terms during the depression. The Treasury note issues have been largely for the purpose of meeting maturities of previous issues and also to furnish cash for current issues. They are short-term obligations with maturities of from 2 to 5 years, with interest varying from 2½ to 4%. With the exception of the ill-fated issue in the fall of 1931, and the more successful issue this fall, there have been no long-term issues attempted by the government in the last few years. Some hopes had been entertained that some of the Treasury notes could be converted into long-term issues and that some of the higher-yielding bonds could be converted into the lower-yielding bonds.

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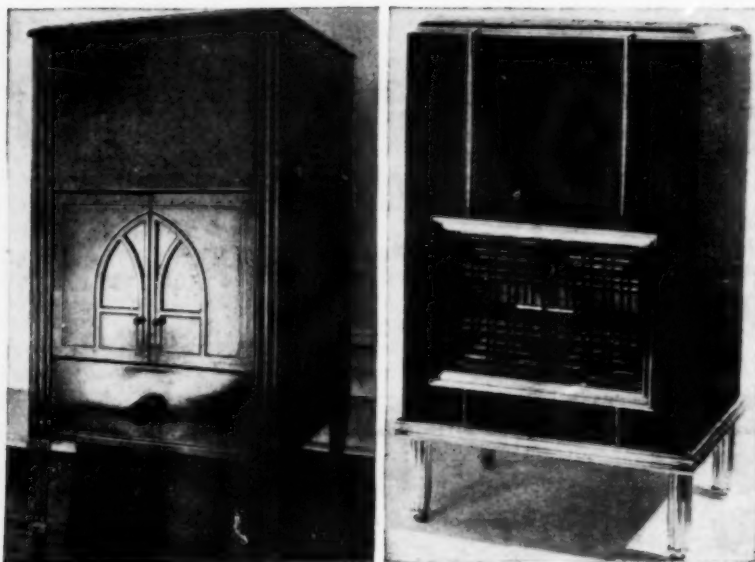
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writing line, and shifting to capitals. The keyboard is standard. There is no new touch to learn.

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BURROUGHS ELECTRIC CARRIAGE TYPEWRITER

BURROUGHS ADDING MACHINE CO., DETROIT, MICHIGAN



BEFORE AND AFTER—Left, the American Gas Machine oil-burning heater which sold 1000 last season. Right, the same heater, redesigned.

Clothes That Stretch

Lastex gets into men's suits, cuts down fitting costs.

SINCE our forefathers laid away their satins and silver shoe buckles, men's clothes have turned a somber and inflexible back on most of the frivolities of style. Well, the inflexibility of the back is gone. For men's suits of fabrics woven of Lastex yarns have appeared on the market. They stretch and give to the motions of the body. They cling to the form and fit better. They hold the creases. They can be bought ready-made with less need for alterations. It is something new under the masculine sun.

Lastex fabrics are another contribution from the research laboratory, developed by the U. S. Rubber Company (BW—Nov30'32, Mar23'33). A way was found to extrude latex, the base material of rubber, through a spinner orifice to make a rubber thread, just as rayon is made. This rubber thread becomes the core of a spun yarn of cotton, wool, rayon or silk. Now they are weaving soft fabrics of it that look like and are flannel or tweed or any other style of suiting desired. Only the core is live resilient rubber. So the whole cloth gives on the slightest pull and springs back again. The width of the sleeve may be stretched an inch or more. The silk back of the vest stretches like a thin elastic sheet and yet it looks and feels like silk—which is on the surface. The Lastex bulks about 25% of the fabric whether suitings or linings.

Clothing stores like it because much of the refitting that eats up profit on ordinary ready-made sales is not neces-

sary. Unless the garment is too large, you put it on and it molds to the form. It pleases the wearer because it is free and comfortable, yet keeps its shape. The knees don't bag. The armpits don't pull. The waist is snug but easy. It sounds like trick clothes but it looks like good wool, well-tailored. Dealers report lively public interest.

Adamson Bros. Co., New York, subsidiary of U. S. Rubber, manufactures the yarn—Lastex in combination with wool, cotton, silk or rayon—and licenses several mills to weave the suitings. The cutting up is all done by H. Daroff & Sons, Philadelphia, and the garments are sold through selected stores.

Galoshes

The fashion factor and the zipper turn the lowly overshoe into a sales success.

UNTIL the zipper came along, galoshes (overshoes to some) were hard to sell to the ladies. Bulky, ugly, they were worn only of necessity. They had no style, no variety, and very little sale.

Zipper fasteners, used on galoshes very early, changed all that. Now, they are made of rubber for rainy day wear as well as of cloth for snow use; they accommodate high heels; they have become fashion merchandise.

New lines introduced by Goodrich, pioneer in the metamorphosis of the galosh, show an even greater style factor. Of snug-fitting rubber, they minimize their size, overcome the hated overshoe look by clever designing and the use of kid, shark and lizard grains. An innovation is a low-cut model which

looks like a lady's oxford, even to the laces. Children's models look like boots, have a pigskin grain, tassels on the zippers.

Design for Dollars

Externals made the sales for this redesigned oil heater.

WHETHER or not clothes make the man is debatable, but there is no argument about design making the product. The case of the People vs. the American Gas Machine Co. provides a neat example of the cash value of externals.

The company, best known for a line of gasoline and oil stoves and lamps, felt the need for a product which would even out its selling season, something to make and sell as cold weather approached and cottagers and campers went back to the steam heat.

The answer was an oil burning circulating heater, and the first model was introduced last year. It found a crowded field. Good enough mechanically, it was undistinguished externally, followed the tradition of the field in looking like a victrola.

N. W. Ayer, agency for the account, suggested redesign, nominated Walter Dorwin Teague for the job. Teague decided at the outset it was silly to make a heater look like a piece of wooden furniture. He discarded the wood-grained furniture effect, set out to make a heater that looked as though it should hold a fire.

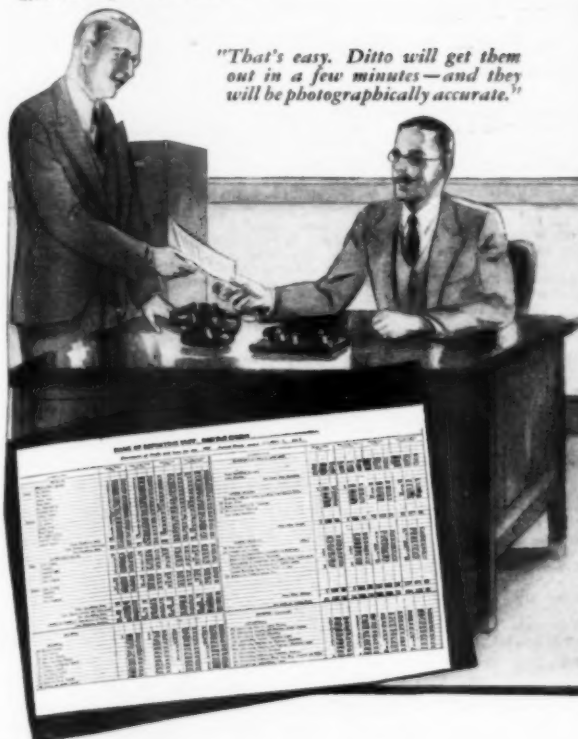
Doors were set in to give the effect of thickness, legs were made solid, provided with leveling screws which were part of the design. The old vitreous enamel finish resisted heat well enough, but it chipped and cracked on occasion. The new finish is dull damaskeen, chip-proof. Its dark brown color fits into the living rooms and dining rooms where these heaters go. Stock chrome-plated mouldings add to the impression of solidity, provide the only decoration of the functional design.

Rex Clarke, general sales manager of American Gas Machine, credits the new eye appeal for the new sales increases. Selling at approximately the same prices as last year's unsuccessful line the new line (exactly the same internally) has brought an increase of 400%. Last year, only 1,000 were sold, this year, the goal is 5,000, of which 4,000 are already sold or on order.

The new design has made a place for the line in spite of competition. Retailers and ultimate consumers alike have welcomed a heater which pretended to be nothing else. Salesmen who used to talk engineering now find design is the real sales point. And the factory is working night and day in what used to be the off season.

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NIRA SCOREBOARD

Industry codes that have been made effective through the President's signature

(Continued from *Business Week*, Nov. 11, 1933)

Numbers used are *Business Week* numbers, not official.

69. Paint, Varnish and Lacquer Manufacturing Industry

By American Paint and Varnish Manufacturing Association, Inc., and the National Paint, Oil and Varnish Association, Inc. *Maximum Hours:* 40 a week. *Minimum Wages:* Males, 40c. an hour; females, 35c. an hour. Equal pay for equal work. Office employees, etc., from \$15 a week in cities over 500,000 to \$14 in cities under 250,000. 90% of minima for southern states. *Other Important Provisions:* Establishes Paint Industry Recovery Board with regional representation. Prohibits manufacture of products in other than specified sizes but exempts goods for 5c., 10c. and 25c. stores from this provision. Requires manufacturers to enter into written agreements with jobbers or distributors covering adherence to code provisions. Establishes standard terms of sale and cash discounts, prohibits consignment selling, warehouse agreements, free deals, premiums, prizes, free goods, free samples, 1c. sales, and the sale of alcohol, turpentine, linseed oil, or any other products at less than "retail market price." Bars sales below cost as determined by elaborate and carefully specified process of accounting.

70. Canning and Packing Machinery

By the Canning and Packing Machinery Institute. *Maximum Hours:* 40 a week, excepting seasonal variations or demands due to uncontrollable factors such as weather, pests, etc. *Minimum Wages:* 40c. an hour, unless lower as of July 15, 1929 but not less than 32c. an hour. Office employees, \$15 a week in cities over 500,000, \$14 in those of less than 250,000. Office boys and girls 80% of minimum. Equitable adjustment for others. *Other Important Provisions:* Establishes Code Authority. Bars selling below cost and provides for standard method of cost accounting approved by the Code Authority. Bars sales at prices other than shown on established price lists filed 10 days in advance of effective date, except that newly designed machines may be placed on the market without notice and price lists filed within 5 days thereafter. Installation charges to be established by regular lists. Allowance for machines older than 2 years not to exceed 15% of price of new machines, or original price of trade-in machine.

71. Terra-Cotta Industry

By the National Terra Cotta Manufacturers Association. *Maximum Hours:* 40 a week, ranging up to 48 hours for specific activities. *Minimum Wages:* 35c. an hour North, 30c. an hour South; \$15 a week for watchmen and office employees. Bars reductions and provides for equitable differentials on other wage rates. *Other Important Provisions:* Creates Code Authority. Provides for 4-week reports on wages and hours, weekly reports on orders taken, daily or current reports on bids submitted. Bars sales below cost and calls for uniform system of estimating job costs and uniform systems of accounting. Provides for adjustment of contracts.

72. Hair and Jute Felt

By Hair and Jute Felt Manufacturers Association. *Maximum Hours:* 40 a week, with 10% tolerance for certain workers. *Minimum Wages:* 35c. an hour, and adjustment of other rates to preserve differentials existing March 1, 1933. *Other Important Provisions:* Establishes National Control Committee. Provides for periodical reports, for filing of price lists and terms and advance notice of changes in price lists. Bars sales below cost, other unethical trade practices, or advertising allowances.

73. Copper and Brass Mill Products

By the Copper and Brass Mill Products Association. *Maximum Hours:* 40 a week. *Minimum Wages:* Males, 40c. an hour, females, 35c., unless lower July 15, 1929, but not less than 35c. and 30c. respectively. Equitable adjustment for all other employees. *Other Important Provisions:* Calls for uniform credit terms on all quotations, contracts, etc. Provides for price schedules not only of goods to be sold, but also prices which manufacturers offer to pay for scrap. Sales or purchases at other than established prices forbidden as unfair competition. Prohibits protection orders and options. Provides that manufacturers may enter into agreement with distributors by which latter agrees to sell products at not less than the published price schedules. Condemns deviation from established products-specification of the association, lump sum bidding, etc. Provides for periodical reports of shipments, contracts and defaults or cancellations of contracts.

74. Fabricated Metal Products Manufacturing, Metal Finishing and Metal Coating

By Fabricated Metal Products Federation. *Maximum Hours:* 40 a week. *Minimum Wages:* In processing, North, 40c. an hour for males, 35c. for females; South, 35c. an hour less. Beginners, 80% of minimum. Equitable adjustments to differentials existing May 1, 1933. Equal rates for equal work. Other employees from \$15 a week in cities over 500,000 to \$12 in towns of less than 2,500. *Other Important Provisions:* Bars sales below cost as determined by accounting system approved by Administrator. Basic code to be supplemented by codes for various subdivisions of the industry.

75. American Petroleum Equipment Industry and Trade

By American Petroleum Equipment Suppliers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* 40c. an hour, but in 12 southern states 35c. an hour. Other employees, \$15 a week, and office boys \$12 a week. *Other Important Provisions:* All wages to be paid in lawful currency or by negotiable check. Establishes open-price plan and prohibits sale, lease, renting or exchange of any product at less than established prices or better terms. Prohibits cancellation of contract excepting for a fair consideration. Bars consignment, but permits field tests or demonstrations of new products by any member of the industry and trade without compensation. Prohibits loan of products to prospective consumers without obligation, extending trade prices to outsiders, buying of customers' products in excess of actual requirements in order to promote selling.

76. Soap and Glycerine Manufacturing

By Association of American Soap and Glycerine Producers, Inc. *Maximum Hours:* 40 a week. *Minimum Wages:* 40c. an hour North, 35c. South. For specific activities 32c. an hour North, 30c. an hour South. Other employees \$15 a week in cities over 500,000, \$14 a week elsewhere. Messengers and junior clerks, \$12 a week. Fair and equitable adjustment of other wages. *Other Important Provisions:* Establishes Code Authority. Provides for periodical reports of industry statistics.

77. Steel Casting Industry

By Steel Founders Society of America. *Maximum Hours:* 40 a week, with stipulated exceptions. *Minimum Wages:* Established to suit the requirements of 21 production districts, range from 25c. to 40c. an hour for common labor. Other wages to be adjusted to proper relation to the minimum. Office and clerical employees, \$15 a week. Office boys 80% of minimum. *Other Important Provisions:* Gives subdivisions of industry opportunity to operate under open-price plan. Provides for study with a view to limitation of melting capacity. Prohibits certain unfair practices peculiar to the trade.

78. Beet Sugar

By United States Beet Sugar Association and the Farmers and Manufacturers Beet Sugar Association. *Maximum Hours:* 40 a week, excepting seasonal variations up to 56 hours. *Minimum Wages:* 32½c. an hour; office and clerical workers from \$15 a week in cities over 500,000 to \$14 in cities under 250,000. Provides for equitable adjustment of other rates. *Other Important Provisions:* Establishes an Administrative Committee and provides only for activities governing gathering of industry records and administration of the labor provisions of the code.

79. Crown Manufacturing

By Crown Manufacturers Association of America. *Maximum Hours:* 40 a week. Limit for highly skilled workers 54 hours in any one week. *Minimum Wages:* For males 40c., for females 35c. Equal pay for equal work. Office employees from \$15 a week in cities over 500,000 to \$14 a week in cities under 250,000. Provides for equitable adjustment of all wage rates and prohibits decreases. *Other Important Provisions:* Establishes Code Authority. Provides for voting on basis of one vote for each full million gross of shipped sales. Limits votes of single member to 5. Provides for periodical reports on wages, hours of labor, production, shipments, sales, stocks, prices, etc. Specifies open-price plan of operation and prohibits sales at less than established prices. Specifies that each member may execute an agreement in form prescribed by the

Code Authority with each sales agent, jobber, distributor, etc. requiring him to observe minimum price schedules.

80. Nottingham Lace Curtain

By the National Association of Lace Curtain Manufacturers. *Maximum Hours:* 40 a week. Prohibits making up of time lost. *Minimum Wages:* \$13 a week. Learners not less than 80%. Equitable adjustment of other wage rates. *Other Important Provisions:* Prohibits the stretch-out system unless Code Authority issues new provisions. Limits operation of productive machinery to 2 shifts of 40 hours a week. Provides for certified reports to Code Authority. Specifies open system of prices and prohibits selling below established prices unless new price lists have been previously filed with Code Authority. Specifies terms of sale, cash discounts. Prohibits consignment sales and advertising allowances unless approved in advance by Code Authority. Prohibits piracy of designs, copying of other manufacturer's pattern within one year of issuance. Establishes a special Piracy Committee. Bars sales below cost as demanded by an approved uniform accounting system.

81. Novelty Curtain, Draperies, Bedspreads and Novelty Pillows

By the National Association of Manufacturers of Novelty Curtains, Draperies, Bedspreads and Novelty Pillows. *Maximum Hours:* 40 a week. *Minimum Wages:* 32½c. an hour. Provides for readjustment of all pay schedules. *Other Important Provisions:* Prohibits stretch-out system unless or until other provisions have been issued by Code Authority. Limits machine operation to 40 hours a week. Establishes Code Authority and divides country into 5 administration districts. Provides for issuance and use of a NIRA label. Prohibits numerous unfair practices, bars sales below cost as determined by a uniform accounting system. Specifies that any federal, state, or other taxes imposed upon products of the industry and required to be paid by manufacturer shall be separately itemized on each invoice and the amount added to the total of the invoice price. Establishes uniform terms of sale. Prohibits consignment and memorandum shipments.

82. Rock Crusher Manufacturing

By the Rock Crusher Manufacturers Association. *Maximum Hours:* 40 a week, to be averaged over 6 months. Tolerance of 10% for specific workers. *Minimum Wages:* 40c. an hour. Pay for other employees ranges from \$15 a week to \$12 a week. Prohibits reduction of compensation due to shorter hours. Provides equal pay for equal work. Prohibits reclassification of employees. *Other Important Provisions:* Provides for filing of price lists and discount sheets. Limits discount to 20%. Specifies that members shall sell only through distributors, jobbers, etc., who have agreed to sell only in accordance with the published price lists and to observe the fair trade provisions of the code. Provides for uniform method of cost finding. Forbids shipment of equipment for purpose of demonstrating or otherwise influencing award of an order. Prohibits renting of any product. Provides specific contract terms and uniform terms of payment. Prohibits trading in or accepting any second-hand machinery in part payment for new. Limits guarantee to 90 days. Establishes Code Authority, provides for periodical reports.

83. Floor and Wall Clay Tile

By Tile Manufacturers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* Males, 40c. an hour; females, 32½c. Equal pay for equal work. *Other Important Provisions:* Establishes Code Authority. Provides for periodical reports, for study of the effect of imports upon the industry. Calls for registration of present kiln capacity and for report of new installations of kiln capacity, excepting modernization or replacement of existing capacity. Contains numerous provisions against unfair trade practices. Specifically prohibits sales on consignment, advance against price declines or price advance, lump sum bids, etc. Provides for uniform cost accounting system and filing with Code Authority of actual production costs by all members of industry. Prohibits selling below cost. Provides for open-price lists, specifies terms of sale. Establishes limits of sales for second-grade tile and specifies penalty of 20% of sales value on tile sold in excess of established percentages. Defines various trade factors and specifies that the Code Authority shall verify classifications of customers.

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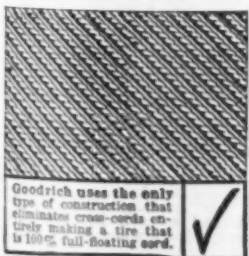
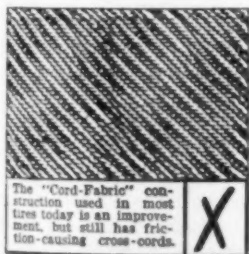
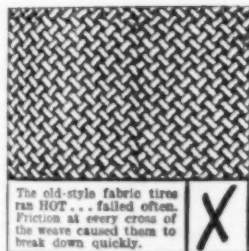
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WEEK



HOW 100% FLOATING CORD ENDS CROSS-FRICTION

**Truck Operators Discover Goodrich Type of Construction
Reduces Internal Heat, The Big Cause of Tire Failures.
Greatest Step Forward Since "Cords" Replaced Fabric Tires**



INTERNAL FRICTION is the sneak-thief of truck tire mileage and dependability.

Cord-fabric plies, used by most manufacturers today, easily separate and are generators of high-friction heat. In this weakened state, a tire is easy prey for snags and bruises, road shocks, overload pressure. Often when a truck is on its way with an important cargo—the entire carcass structure suddenly breaks down. A delay. A replacement... Very likely, some valuable business wiped off the books.

But thanks to special equipment used by Goodrich it is now possible to make 100% cord tires—with *no cross-weave whatever!* Each separate cord is full-floated in live rubber—does not touch any other cord.

Not only that but every Goodrich Truck Tire is also "water-cured"... a special process that

gives toughness all the way through, not merely in the treads.

Combined, these two amazing improvements in truck tire construction have licked the 4 causes of frequent tire failure. Friction is counteracted. Internal tire heat is reduced. Greater resistance to road shocks is given. There is far less danger of blow-outs. *And months are added to the life of your truck tires!*

GET THE FACTS

Whether you own one truck or operate a fleet, you'll be very interested to learn how this long-lasting, friction-free Goodrich Silvertown can cut your trucking costs and improve your service. Phone your Goodrich dealer NOW.



Goodrich *Safety* Silvertowns

For Trucks and Buses



100% Full-Floating Cords

SH SH-Sh-Sh! Liquor Bedlam



THE BOSS IS GETTING Dehydrated

ONLY three o'clock and he has a splitting headache. He's all worn out. Why? Dry, parched air is taking its toll—sapping vitality, robbing him of energy and impairing efficiency. He's getting dehydrated but he doesn't know it!

Medical authorities advise that improperly humidified air—air that is lacking in moisture—endangers health. Hot, dry, stale air dries out the skin, causing baldness—dries out the nose, causing colds—dries out the tonsils, causing enlarged glands—dries out the tissues in the lungs, often causing pneumonia and tuberculosis.

PEP-AIRE—New Low Cost Humidifier Maintains Peak Efficiency by Supplying Proper Moisture to Dry Air

Vigor takes the place of fatigue when you install the Pep-Aire. This new invention banishes dry, parched air, saturates the air with proper moisture, washes and circulates it throughout an ordinary size room 2½ times every hour. Removes tobacco fumes, kills odors. Portable. Beautifully designed and finished.

Pep-Aire is inexpensive—only \$20.00 complete with stand. Costs little more to operate than an electric clock. Saves as much as 25% on fuel bills. Send coupon for further information.



H. M. SHEER CO. • QUINCY, ILLINOIS

Gentlemen:

☐ Please send literature and further information on the PEP-AIRE humidifier.

☐ Please send PEP-AIRE Humidifier with stand. (Enclosed is \$20.00 for immediate delivery.) Shipped on open account to rated concerns.

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U. S. W. 44-18

Repeal finds states in confusion of old laws and new regulations. New York's rules a sad blow to the liquor "laissez fairies."

If repeal of prohibition had come in normal times, the disentanglement of resurrected industries from their shrouds would have created considerable confusion. But the miracle occurred at the tail end of 4 bitter years and the result is a first class business bedlam. Promise of large and immediate profits attract capital into every division of the industry. Expectations must be trimmed to allow hard-pressed government to extract a maximum of taxes. Rates must find the golden mean, must be low enough to kill bootlegging, high enough to yield sufficient revenue.

In the center of this chaos, the prospective national distributor feels that the ancient order has been reversed, that he is getting his headache the morning before instead of the morning after. Practically every form of control has been adopted or considered by the several states. Plans range from austere state liquor dispensaries, which have the benediction of the Rockefeller survey, to old-fashioned saloons with billowy nudes and orthodox third rails.

New York Will Be Tough

Those who yearned for the hooch havens of yesteryears were deeply pained at regulations promulgated for New York state by hard-boiled Edward P. Mulrooney, former metropolitan police commissioner, now head of the controlling Beer Board. The numbers, location, physiognomy of dispensaries are brought under rules that would delight a Russian commissar. New York state's 12½ million people are about one-tenth the nation's population. Even greater is its percentage of citizens who may legally indulge after prohibition dies on Dec. 5. The straightjacketing of so large a bloc of consumers enrages that portion of the trade which wanted a return to liquor laissez faire.

The Mulrooney rules will continue from Dec. 5 until the legislature meets in April to enact permanent laws. Among the prohibitions are: No drinking at bars, on-premise drinks to be sold at tables in regular restaurants, hotels, clubs, etc. No swinging doors and no opaque glass to hide the convivial. No sale of over 3 quarts of liquor or 3 gals. of wine at a time in retail stores. No sales in case lots except by wholesalers. No liquor or wine to be sold at drugstores except on prescription. No liquor to be sold in clubs organized for profit (a blow at the speakeasies). No chain liquor stores permitted; each organization to

be allowed one store in the state. No retail store within 1,500 feet of another, in large cities. No retail sales on credit. Retail stores must be on the ground floor, with separate entrances, and will only be allowed on business thoroughfares.

Permit System

In populous Pennsylvania, Governor Pinchot is fighting for a system of state liquor stores. This idea already is written into the Montana law. Buyers must take out annual permits. Delaware plans liquor sales through a state commission. In Nevada, alone, are controls delightfully loose, providing for regulation by city and county commissioners. Other states with regulatory laws are Arizona, California, Colorado, Connecticut, New Mexico, Rhode Island. Remaining commonwealths which have voted wet are preparing to legalize sales in current or approaching legislative sessions.

One of the handsomest snarls in the entire tangle results from the federal government's promise to protect dry areas from liquor sales and selling. When the end of prohibition became evident, the government granted permission to publishers to accept "announcement advertising" until Dec. 5, on which date the Reed Amendment would become operative and keep wet ads out of dry states. However, the Post Office department was required to pass on advertising copy. Officials were flabbergasted by the flood of ads that resulted. Much of it was high-pressure selling; mentioned brands and prices, asked for orders. This wasn't at all what the government meant. The country is still dry, legally, and such advertising is prohibited.

Those Footnotes

Lawyers grin at footnotes to ads, which say that deliveries are to be made "when and if" repeal comes, or proclaim, in effect, that the advertisement is not to be considered an advertisement in dry territory. Technically, this is just tommyrot; both advertisers and publications are liable. Actually there is small chance of federal action (except in dry areas) since prohibition has been voted down. Publishers—not knowing what else to do—are still submitting copy to the Post office Department which is neither OK'ing it nor turning it down. But this is an interim condition which will last only until Dec. 5 when the trade will bump its nose into the Reed Amendment.

Ironically, this measure bears the name of Sen. Jim Reed, of Missouri, one of the most vitriolic and vocal enemies prohibition ever had. As a rebuke to the fanaticism of the dries, Senator Reed proposed a rider on a 1917 Postal Bill making illegal the carrying of liquor ads into dry states by the post office. To the senator's disgust, his joke was taken seriously and the amendment became law. It still is. Congress is expected to alter things when it takes up liquor legislation in January.

Censoring for Dries

From Dec. 5 until Congress acts, publications are planning to drop liquor ads from copies that go to dry states. Even if the federal government had not promised to protect these areas, there would still be the danger of dry states moving against violators. To add to the confusion, some of these states have voted down statutory prohibition but still have it in their constitutions which cannot be changed for some time.

Eleven states have constitutional prohibition. They are: Florida, Idaho, Kansas, Kentucky, Maine, Nebraska, Oklahoma, South Dakota, Texas, West Virginia, Wyoming. The government's promise to keep out liquor and liquor selling also applies technically to states with dry laws. They are: Alabama, Arkansas, Georgia, Iowa, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, North Carolina, Ohio, South Carolina, Tennessee, Vermont, Virginia, Utah. Many of these last states are trying to get rid of prohibition laws and will soon offer fair markets, but the cautious will not lay themselves open to possible prosecution by vengeful dry organizations in questionable territory. States not listed allow sales efforts, subject to their different legal regulations.

Tax Problem

Meanwhile wine and liquor makers and distributors wait nervously for announcement of what taxes their products will have to shoulder. Until this becomes known, both wholesale and retail quotations will be a gamble with prospective profits. Congress will decide. The Administration wants a tax on liquor of between \$2.50 and \$3 a gallon. It believes this will be low enough to keep retail prices below the possibility of bootleg competition and still produce \$½ billion in revenue.

One move Washington has made to relieve a congested situation. It has revoked the recent ban on liquor importations. But there is small chance of a foreign deluge. Importations may be made only on "medicinal permits" from the Commissioner of Industrial Alcohol. As this worthy foresees no epidemic of snake bites, he opines that the inflow between now and Dec. 5 will be "minor."

THE BEST BOND AND LEDGER PAPERS ARE MADE FROM RAGS



DO FORMS REQUIRE A RAG PAPER? ■ Yes; if they are the sort of forms your customers see. Yes; if they carry important, permanent records, or if they are subject to hard use. No; if they are temporary, relatively unimportant forms for intra-office use. ■ Chieftain Bond is good for invoices, statements and other forms that go to outsiders; it carries the necessary impressiveness—the right suggestion of quality and good taste. It is good for the many forms that are handled day after day in business office routine; it has the strength and toughness to resist the wear of many fingers and the constant routing and filing and checking. And Chieftain Bond is good for forms because of its very moderate price; the slightly additional cost being absorbed by the greater efficiency it provides. ■ This paper, of generous rag content, comes in white and sixteen colors—enough for the most elaborate color-signal form system. For special requirements, it can be supplied extra opaque, or safety processed for checks, drafts, etc. An interesting demonstration portfolio will be sent on request. Neenah Paper Company, Neenah, Wis.



Chieftain Bond

THE RIGHT WAY TO MEET PEOPLE BY MAIL

Neenah guaranteed papers at various prices are available for every bond and ledger need. Other bonds are Old Council Tree, Success, Conference, Neenah, Glacier. The ledgers are Stonewall, Resolute, Prestige and Putnam. Samples will be sent upon request.

IDENTIFY RAG-CONTENT QUALITY BY THE NEENAH OWL WATERMARK

For Better Banks

Reserve City Bankers suggest another Aldrich commission to study banking problems.

ORGANIZED banking is moving toward the creation of a sound banking system, the kind that will have no need of a federal system of deposit guaranty. While remaining adamant in the belief that so called deposit insurance is unsound in principle and dangerous as a permanent part of the country's credit structure, bankers readily admit that the public protests which occasioned such legislation were justified and that a temporary plan of insurance is desirable when social and political as well as economic considerations are taken into account.

The first constructive step has been taken by the Association of Reserve City Bankers, which has published an initial report of its commission on banking law and practice. This commission is largely composed of the younger and more liberal bankers. Its technical staff consists of well known banking economists, with E. W. Kemmerer, Research Professor of International Finance at Princeton, as economic advisor. The report proposes the appointment under federal auspices of a commission similar to the Aldrich Commission which grew out of the panic of 1907 and laid the groundwork for the bank reforms of 1913, out of which, indirectly, grew the Federal Reserve System.

Conformity Urged

The association hopes eventually to produce a bank system so sound that bank guaranty legislation may be repealed before what is conceived to be its inherently weak and dangerous propensities develop. But in the meantime it is urging all bankers to support the government in two fundamental efforts: first, to induce every bank that has legitimate use for added capital to sell preferred stock or capital notes to the Reconstruction Finance Corporation and, second, to bring all banks into the temporary deposit guaranty system in the soundest condition possible.

The Reserve City Bankers do not commit themselves directly, but the inference is that by bringing all banks under the temporary guaranty system and eventually placing them in a position where they must either resign from the system in 1936 or join the Federal Reserve System, they will have gone a long way toward creating a single banking structure. This is suggested as the only way of abolishing competition between state and national systems, which has been largely responsible for bad banking and bank failures in the past.

A carefully prepared and several times revised statistical exposition of the

costs and hazards of deposit insurance is included in the report. Figures and conclusions are almost exactly those printed in *Business Week* of Nov. 11. These are intended to support the basic contention of bankers that bank guaranty penalizes good banking and puts a premium on bad banking.

Earnings Small

Figures showing the relation of bank earnings to guaranty fund assessments are significant. For the 10 years ended with 1930, national bank earnings averaged 7.3% of capital and 1.25% of average deposits. For the fiscal year ended June 30, 1931, earnings amounted only to 1.4% of capital, and last year national banks lost \$140 millions. The showing this year probably is even worse. Incidentally, the earnings ratio of national banks probably exceeds that of the state institutions.

In the light of these figures, it is interesting to know that in the 5 profitable years ended with 1930, national banks with less than \$500,000 of loans and investments earned about 3% on their aggregate deposits, and they constituted about 60% of all national banks.

Under the present law, the first subscription by the banks to the permanent guaranty fund amounts to 1/2% of their deposits. That assessment would have taken 80% of their earnings away from considerably more than half the national banks of the country in the most prosperous times. And obviously if deposit insurance is to endure, the assessments to support it must come out of earnings and not out of capital.

A Changed Spirit

The preamble of the bankers' effort toward constructive reform is found in these words:

"We recognize fully that the motives of the advocates of guaranty have been in the public interest. They saw a great public wrong and tried to right it. Furthermore, this commission believes that bankers should accept a full share of criticism for not standing forth earlier and in full force to reform and strengthen the banking structure."

In that spirit bankers plan to urge upon congress but one amendment to the guaranty clause of the banking act at the present time. They would limit the contingent liability of banks and provide for the accumulation in good times of reserves to protect the fund in times of distress.

As the law now stands, banks are forced to give to the Federal Deposit Insurance Corporation a blank check

drawn on every bank depositor and stockholder in the United States. Only by creating reserves can the system remotely resemble insurance, whatever it may be called.

Bankers admit also that when deposit guaranty goes into effect, the capital structure of the banks will be relatively stronger than ever before, particularly if one has in mind the almost certain appreciation of bank investments. Already the government has put approximately a quarter of a billion dollars of new money into banks through the purchase of preferred stock and capital notes, and is doing its utmost to increase this sum to a billion dollars.

The banking attitude toward this experiment has changed materially. Not only are banking associations urging co-operation but more than 60 out of the 90 clearing-house associations in the country have agreed to urge their members to take government money wherever it can be used to strengthen banks.

The new attitude on the part of bankers generally is encouraging non-member banks to join the Deposit Insurance System, and nearly 60% of them have applied for membership. Some 1200 bank examiners are rushing the work of determining the eligibility of applicants.

Pressure of a Code

The American Bankers Association has geared its machinery to the job of forcing compliance with the bankers' code, under which all banks are to be organized into clearing-house associations. It will be a long time before rural clearing-house districts can afford their own examiners, even though experience proves that the only real insurance to deposits has come out of clearing-house examination. In the meantime these rural associations can check the indiscriminate issuance of bank charters, restrain duplicate and unsound credit, eliminate wasteful competitive services, and do much to assure the banks sufficient earnings to remain sound and meet the cost of deposit guaranty.

The recent weakness in the market for government bonds has been a matter of some concern to bankers. About 50% of the bank deposits of the country are invested in government bonds. A long decline in bond values not only would postpone a day when bank capital in the aggregate begins earning return, but might determine the solvency of some banks. On the other hand, banks have reached too far for liquidity, and probably invested too large a part of their funds in governments. The weakening of the market might have a direct tendency to encourage bankers to make commercial loans. This tendency, plus the pressure of more than \$800 millions of excess reserves, seems to point definitely toward an easing of the bank credit situation.

A LETTER

To the President of the United States



October 27, 1933.

The President,
Executive Mansion,
Washington, D. C.

Dear Mr. President:

We take the occasion of the presentation of our code to pledge our hearty cooperation in this effort toward industrial recovery. Our code has been the subject of continuous thought for many weeks; we have had the effective cooperation of all N. R. A. officials to whom we have been assigned, and the resulting provisions are such as we are willing to live by.

In addition, we ask your consideration of certain elements of the present position of industry, which are not so much a part of the act itself as of the history of its development, and of popular prejudices which have grown up about it.

Many public spokesmen, in and out of office, have warned industry that it is having its final opportunity to reorganize itself to serve social ends; and that if it does not do so it will have to be governmentally organized and controlled. There is implied in this an accusation of sole responsibility for the Nation's economic distresses which, most unfortunately, the acknowledged leaders of industry appear to have accepted. At least, no word of public protest passes their lips.

We do protest.

While admitting errors of judgment, errors even of overreaching and greed in some instances, it seems clear to us that no correction or reorganization which could conceivably have taken place within the field of industry would have greatly mitigated the disaster of 1929 and the succeeding years; nor can we conceive of any assurance of safety for the future by such means. The major elements of disaster, as you indicated in your inaugural address, lie in the financial-speculative process; and in this respect industry is culpable only as it has per-

mitted infection from that source. To look elsewhere is to deceive ourselves and the country at large, to arouse false hopes, and to run the risk of uncontrollable resentment should any large measure of failure appear.

This concentration of attention on industry has other unfortunate results. The primary sin is conceived to have been an unrestrained over-production of goods; and the corresponding remedy is presumed to be a scale of production planned under governmental supervision to fit such remnants of effective demand as may happen to show themselves, however paltry and miserable they may be. Many industrial leaders have fallen into this error, and have sought to build the provisions of their codes about it. It would be difficult to find a policy more destructive of our justifiable hopes and real possibilities.

Admitting the over-development of certain businesses tied in with the financial-speculative orgy (city real estate, for instance) we remain convinced that the scale of material production, consumption and enjoyment which we experienced in 1929 is one which we may again attain, attain with safety and with safety surpass. No one who looks about him can be satisfied with any rate of production we have ever attained. At no time has the great mass of those able and willing to work been adequately housed or properly clothed and fed; nor has it had in abundance the means of rational enjoyment. The hope of industry for a prosperous future lies in filling these unfilled needs. For investors also there is here an opportunity more surely profitable than financial-speculative processes can ever hope to be.

Another deterrent to recovery is the growing fear of improved machinery and processes. Through the codes and the President's Re-employment Agreement, we have shortened working hours enough so as to raise some doubts as to a greatly increased standard of living under the new order. A raised

standard of living can only come as a result of an increased spread between wages and prices, by raising wages relatively to prices. The extent to which this can be done is limited unless we apply the tried and tested method—the direct and obvious method—that of improved processes, organization and machinery. There is no other way.

We are faced with these three false theories: (1) the primary culpability of industry; (2) the actuality of over-production; and (3) the social danger of improved machinery. This cumulation of error has checked the natural growth of industrial courage and enterprise which would otherwise begin to appear at this time; it has throttled recovery in the capital goods industries, which are the very seat and center of the depression; and it bids fair to degrade the hopeful, humane experiment of the National Industrial Recovery Act into a mere expansion of the share-the-work movement—powerless to generate new work, or to distribute much more in payroll dollars than the sums currently available.

We need new effectiveness, new insight, new courage. Here the interests of Agriculture, Labor and Capital, of farmer, worker and employer, are one. It would be tragic to endeavor, by the exercise of minor tactics, to force the issue on the old lines of conflict. We believe that your incomparable leadership can properly and effectively be engaged in discrediting the errors mentioned above, in the re-generation of that justifiable courage and spirit of enterprise which are essential to a solid recovery, and in the continuing search for methods of control for the financial-speculative menace.

Here lie our common task and our common hope.

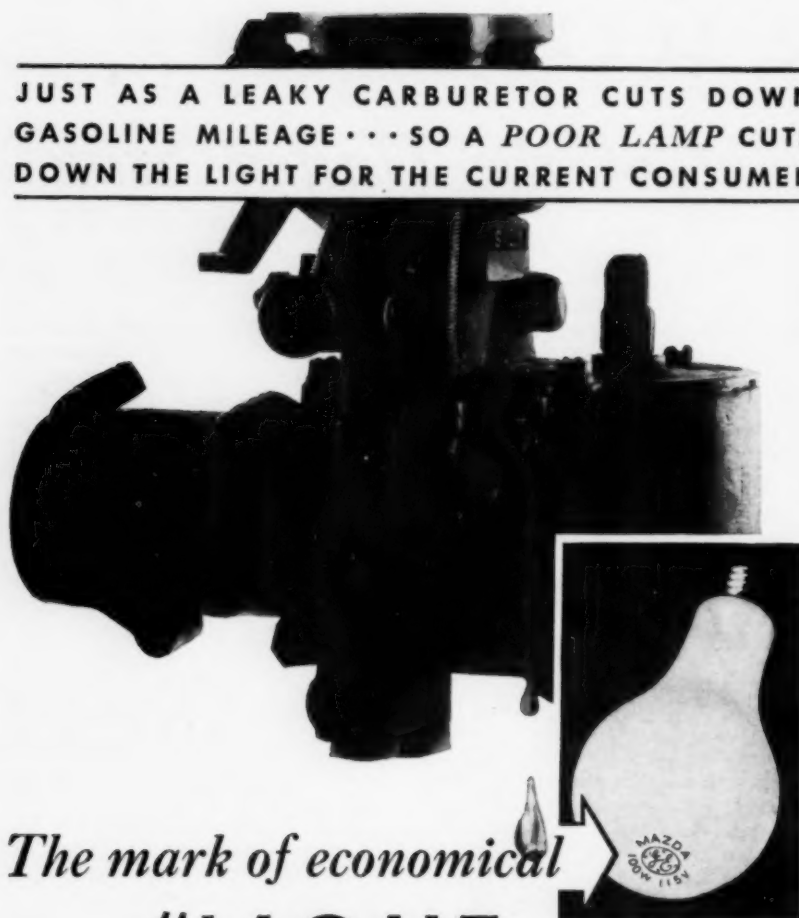
Respectfully yours,
RALPH E. FLANDERS,
Chairman, Code Committee.

NATIONAL MACHINE TOOL
BUILDERS' ASSOCIATION




THE AMERICAN MACHINIST REPRODUCES THIS LETTER FOR THE BENEFIT OF INDUSTRY

**JUST AS A LEAKY CARBURETOR CUTS DOWN
GASOLINE MILEAGE . . . SO A POOR LAMP CUTS
DOWN THE LIGHT FOR THE CURRENT CONSUMED**



The mark of economical
**"LIGHT
MILEAGE"**

Just as an automobile carburetor turns gasoline into "gas mileage" so an incandescent lamp turns electricity into "light mileage."

Inferior lamps are just as wasteful as an inefficient carburetor because they do not convert electricity into light *economically*. They give less light than they should, blacken quickly or burn out prematurely. Don't tolerate "electricity hogs" in your lamp sockets any more than you tolerate a "gas hog" in your car. One *sure* and very simple way to be sure of *all* the light you pay for is to look for this mark  on every lamp you buy. It also assures you of all the efficiencies that modern research has developed for lighting your home, automobile . . . for making moving pictures indoors and taking snapshots at night. Look for it every time you buy lamps! General Electric Company, Nela Park, Cleveland, Ohio.

For good light at low cost

**GENERAL  ELECTRIC
MAZDA LAMPS**

General Electric manufactures lamps for home lighting and decoration, automobiles, flashlights, photography, stores, offices and factories, street lighting and signs. Also Sunlight lamps.

GM Jubilee

General Motors prepares to dramatize its record of achievement—and continue the decentralization.

The celebration of its silver jubilee is to provide the theme for General Motors' drive to make 1934 business top 1933 figures in every division, and incidentally whittle a little more away from that 55% of total industry volume which in 1933 still went to other makers.

A medal has been struck to commemorate the 25th anniversary of the corporation. Designed by Norman Bel Geddes, it shows on one side an 8-wheeled, highly stream-lined car symbolically winged, on the reverse, a symbolic section of a cylinder.

Medal Supplies Motif

Every division of General Motors is expected to use the jubilee medal for all it is worth. Magazine advertisements will feature it; exhibits at the motor shows will be built around it; distributors and dealers of every General Motors product will display it. The buying public is to be thoroughly impressed with the fact that of all the hundreds of motor car makers that have come and gone in the last 40 years, the General Motors family is one of a mere handful that lived.

Beyond the medal is a history of General Motors, "The Turning Wheel," written by Arthur Pound, underwritten by GM with a good-sized order. Medal and book are keynotes in the build-up for the new models now being readied for the shows.

Meanwhile old-time flexibility and freedom of individual initiative are being speedily restored to each GM division under the program of decentralization recently inaugurated (*BW*—Oct 28 '33). Headquarters of the depression-born B-O-P at Detroit have been dismantled. Friendly rivalry between divisions is already increasing, and the race for 1934 sales volume promises to accelerate internal competition.

Individualism in Advertising

Supposedly this new freedom will permit going the whole route in friendly competition, even to the extent of each division's selecting and maintaining its own advertising agency connection. Heightened competition in copy and ideas seems as logical as increased competition in manufacturing and sales. In which case, some old connections may be broken.

Supporting these theories of Detroit observers, are certain changes already noticeable. Oldsmobile, GM's style leader, is now with Batten, Barton, Durstine & Osborn. Fisher Body copy is handled by Erwin, Wasey. It looks as if General Motors was serious about this decentralization business.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

CLIQUE CLUB, an early merchandiser of taste-killer for dry-era drinking, has decided that the return of the real stuff justifies introduction of plain sparkling water to enhance, rather than conceal hard liquor flavors. Tried out locally, the new product will soon go national.

New galoshes by Goodrich feature leather grains, shoe-like appearance. Cambridge Rubber Co. uses waterproof fur trim (see news item this issue).

THE Bauer & Black Handi-Tape bandage (ready-made, complete with sterile gauze and ventilated adhesive tape) has been confined to flat-packed strips, now makes its debut on a spool for home and professional use.

LASTEX, which the ladies have monopolized so far, now snaps into the men's market. Men's suits of Lastex-cored fabrics fit better, hold a pressing, are more comfortable because they give here and there with the movement of the body (see news item).

TOLEDO SCALE announces the Figured Type Printweigh, which automatically prints a record of weight on a tape or a ticket or both. Useful in stock control and manufacturing operations where a positive record is needed.

A NEW safety night light, devised by Hamilton Beach, needs no switch or connection cord, plugs directly into a base outlet, spreads a soft, low light on the floor where it does not interfere with sleeping. It consists of a tiny bulb socketed in a transformer about as big as an egg, burning so little current it will hardly turn a meter.

SOMETIMES, changing the clothes of a product changes its whole sales career. American Gas Machine's redesigned oil heater boosted sales 400% (see item).

ELECTRIC refrigerator makers have the winter, not the summer, slump to contend with. Frigidaire, however, sees no reason why sales should take a holiday, this year plans a comprehensive winter advertising and selling campaign. Newspapers and direct mail back up the 15,000 salesmen in their Christmas drive. On the air, Frigidaire hooks up with Philip Lord's lifelong ambition: a tour of the world in his own boat to look into all the romantic yarns which fascinate boys of all ages. Programs will follow the *Seth Parker* down the coast from Maine to Florida, thence, by short wave, to foreign ports.

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Electrical Merchandising . . . serves the electrical appliance trade . . . electrical retailers and wholesalers . . . helps them become better merchants.

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Factory Management and Maintenance . . . all phases of plant operation . . . management, production and services including maintenance of electrical and mechanical equipment.

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of the running" — without a business paper

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He's missing the progress in distribution—the new uses and new markets for products; new sales or merchandising ideas and new price policies.

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Economy Licked Municipal Power

Many a voter who leaned toward government ownership of the utilities said "No" when he found that it would mean more bond issues.

FRIENDS of the municipal power plant took it on the chin last week when John and Mary went down to the polls and told the politicians what they wanted to do about it. Now that the dust and smoke has settled, here is how it looks:

Cincinnati defeated a proposal for a city electric and gas plant 2 to 1. Youngstown voted down a bond issue to acquire a municipal electric distribution system 19,700 to 14,500. Portsmouth, O., said no by 3 to 2. Salt Lake City turned down a city plant 3 to 2. San Francisco defeated a plan for a \$6½ million bond issue for another 20,000-kw. hydro plant in the Hetch-Hetchy water supply system. Borden-town, N. J., and Tyrone, Pa., also went thumbs down.

Some Said "Yes"

At the same time the other side drew some blood also. Camden, N. J., voted 2½ to 1 for a municipal light and power plant. But the vote was permissive and not mandatory and inasmuch as Camden now has a debt of \$30 millions and more than \$60 millions due for unpaid taxes and for some time has been paying firemen, policemen and school teachers partly in scrip, it seems doubtful whether they can sell \$11 millions in bonds to build a new power plant. Akron voted for a municipal electric plant, too, by a scant plurality, but it is only a declaration of intent and must come up again at the next election before the City Council can go ahead. Sandusky voted for a \$1,400,000 plant by 6,500 to 2,400. Columbus, O., authorized an extension for its existing municipal power facilities. Fleetwood, Pa., Cuyahoga Falls, O., and Doniphan, Mo., also went citywise.

Clearly the nays had it on a population count. But there has been a lot of fire behind the smoke. In the past 6 months about 110 cities have featured in the news as interested in the idea of municipal operation for the local electric service. In about 75 towns—most of them small—proposals were taken under consideration or there was definite action favorable to a city plant. Sometimes this was the introduction of a proposal, sometimes an endorsement by a council, sometimes a popular approval or some other step in the advancement of a project. In 20 cases unfavorable action was taken, either by the authorities or the citizens.

This does not include the cities of the Tennessee Valley area where the Muscle Shoals and Cove Creek developments

have created a special condition. Here Birmingham last month voted against a municipal supply. Tupelo, Miss. (pop. 6,000), signed up with TVA last week, and 10 other small communities have voted to buy their power from the government. The test will come soon in Knoxville and Memphis where the voters will decide this month and next.

Sales Assistance

In short, the municipal ownership doctrine has been gaining in renown this year if not in actual toeholds. It has been riding forward on the depression psychology by dangling the hope of lower rates before the citizenry and handing the city fathers an economic slogan to suit the times. It is ably assisted by the silver-tongued salesmen of the engine and generator companies as is witnessed by the number of cases where the name of some apparatus manufacturer appears in connection with proposals before municipal councils, wherein the city is to purchase the machinery for the light plant and pay for it out of earnings.

The politician grabs hold with a glad cry and carries the program forward until it comes to the voters in the form of another bond issue. Whereupon John and Mary reach for the ax, for the depression psychology works both ways and goes readily into reverse. Whatever the appeal of municipal ownership, nobody likes a bond issue in times like these. While its advocates are talking of savings, John and Mary are thinking of first costs. Incidentally the reversing mechanism in a number of Western communities has taken the form of an injunction secured in the courts by the local power interests.

The TVA Influence

President Roosevelt has endorsed the idea of government operation of electric power in the Tennessee Valley, on the Columbia River and elsewhere. Muscle Shoals and its interconnected developments, he says, are to establish a yardstick to show what power should cost under efficient management in public interest. Certainly the idea of public ownership is receiving more and more attention, to judge from the trend of news, and is making progress in the smaller communities. But so far in the larger cities, the majority of voters has usually refused to authorize a bond issue to back a venture in municipal operation that, with all its promise, is bound to add to the tax burden and may not save its cost in the light bills.

Government money, of course, will have some bearing on coming developments. PWA is now granting loans for power projects and money has been allocated to Fort Collins, Colo., Danville, Va., North Platte, Neb., and the

Imperial Valley of California. The full amount can be borrowed and only 70% need be paid back. Secretary Ickes has ruled that projects competing with existing power systems are not disqualified if they are sound business propositions.

Jobs Replace Dole

Four million men go on government payrolls for the winter, to do minor local jobs.

PUTTING 4 million men on a \$600 million payroll is the Administration's forthright method of tiding the unemployed over the winter. Three million men now on the dole will receive a wage for "civil" work of a minor character, in local communities. The plan also anticipates that 1 million more men not now on relief rolls will be driven to seek the aid of public agencies by winter's hardships.

Federal, state, and local funds will be pooled to foot the largest payroll in all history. The Public Work Administration has allotted \$400 millions. The Federal Emergency Relief Administration will put up \$60 millions and state and local communities are counted upon to contribute \$130 millions. The total will carry the program forward for 3 months to Feb. 15, allowing approximately \$100 millions for equipment, tools, and materials. President Roosevelt has intimated that Congress will be asked to appropriate the funds needed after that date.

No Winter Lag

The public works program which has been gaining headway since last July also will be pushed to provide employment on regular construction jobs during the winter. To forestall any lag that might accompany winter weather in Northern states, a new unit is being organized in the Public Works Administration for the purpose of following through on projects for which allotments have been made.

Municipalities to which the PWA has agreed to make grants and loans for sewers, waterworks, school buildings, and other projects will not be permitted to let actual construction work ride over until spring. Contracts must be awarded and PWA will insist on inclusion of a "progress" clause requiring contractors to keep on the job.

Two million of the 4 million men embraced by the new civil works program now are employed part time on made-work for family allowances averaging less than \$20 a month. Their wage will be raised immediately to about \$50. By Dec. 15, 2 million more men, also heads of families in most cases, will have been added to the payroll, if the plans outlined at a confer-

ence of 500 federal, state, and local officials in Washington this week are carried through without a hitch.

Under this program the work week will be limited to 30 hours and the regular PWA wage scale will apply.

The plan contemplates transfer of "all employable persons" from relief rolls to civil payrolls for work "bordering on but not covered in the province of the PWA," says President Roosevelt. Administrator Ickes expects no encroachment on the public works program as he believes that most of the projects that the PWA will receive have already been initiated. Such projects cannot be withdrawn and transferred to the new program. Projects submitted to the PWA that are ineligible but that might be taken care of by the Civil Works Administration will be so referred.

Replaces Work Relief

Fundamentally, the plan merely makes more money available for relief by releasing public works funds for this purpose. In its local aspects the work program does not differ essentially from work relief as it is understood at present. Every project will be undertaken specifically to support the unemployed, else the work would be otherwise financed.

The "outdoor" federal agencies also will join with the states and cities in mapping out work programs. Robert W. Fechner, chief of the Civilian Conservation Corps, has been requested to take care of 500,000 men in national parks, forests, soil erosion and flood control areas. Field men of the National Park Service, the Forest Service and other federal agencies were requested to report by Nov. 13 how many men can be employed in these widely scattered services. Such men will either be put on a subsistence basis or, if living with their families, paid the prevailing wage rate.

The civil works program will be directed by Henry L. Hopkins, Federal Emergency Relief Administrator.

Administrator Ickes describes the work to be done by the local civil works divisions as the kind that now is done, if done at all, by the municipality with day labor.



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2. What is Distribution?

Part II—Important Agencies of Distribution

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8. The Mail-order Houses
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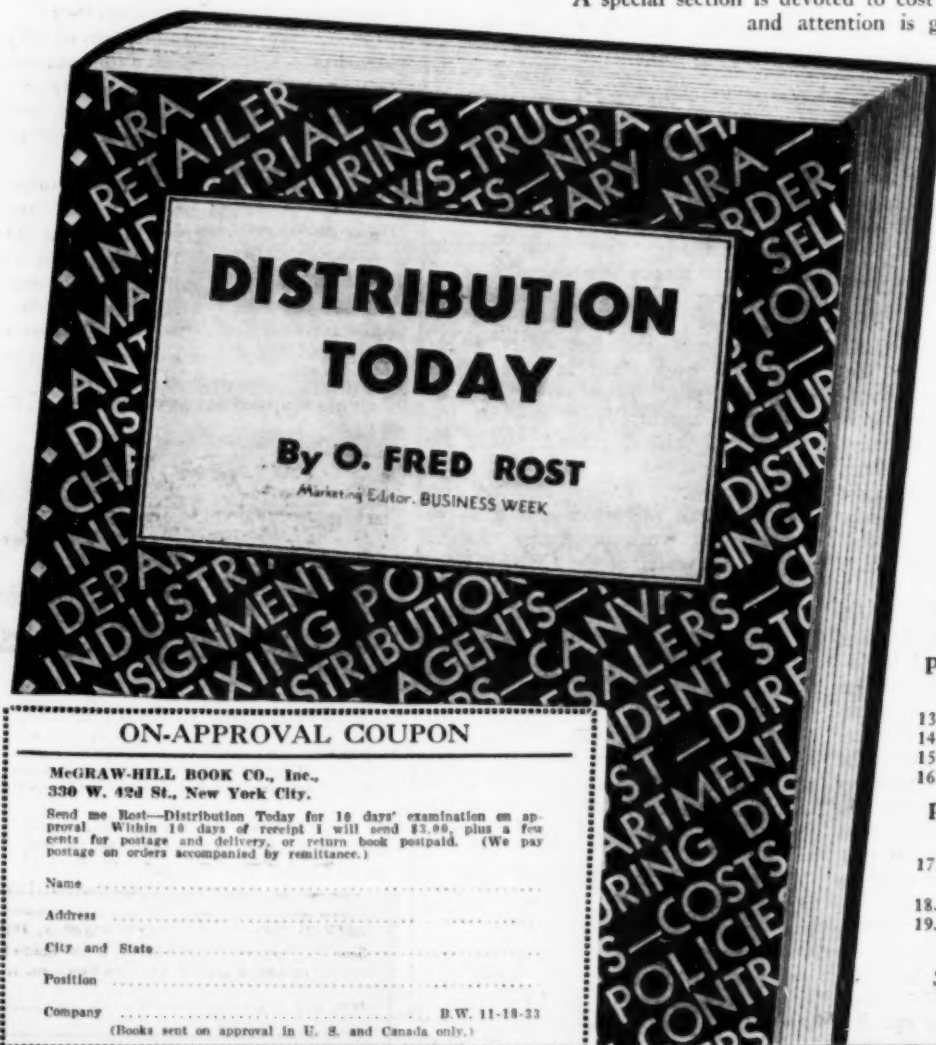
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Milk Showdown

New York finds that, contrary to the farmers' suspicions, state control of milk has given the distributors nothing to cheer about.

EFFORTS to make a public utility of the milk business have been harassed by the same charges of connivance with the "big fellows" that have dogged the labors of the commissions that regulate the electrical utilities. Since the New York State Milk Control Board assumed power (BW—Apr 26, May 10, Aug 19'33) farmers have struck, complaining that the distributors were getting the lion's share of the price increases decreed by the board. Chicago consumers, just hit by a cent-a-quart boost under the AAA milk marketing agreement for the farmer's benefit, angrily quote statistics to show a distributor's rake-off. The milk control authorities are on the defensive.

First specific reply to charges like these has come from the New York State Board in a preliminary report on milk distributors' costs and profits compiled by Dr. Leland Spencer of Cornell University. Purpose was to show whether the minimum prices established by the board permit distributors to earn "a fair but not excessive return on their investment." As far as this report goes, the negative answer is louder than the farmers' voices.

Three Groups Compared

Distributors are divided into 3 groups: 30 in New York City, 22 in the larger up-state cities, 7 in the smaller up-state cities. June, July, and August aggregate figures are compared with those for the same period of 1932, listing income, cost and profit items on a percentage of sales basis. August, 1932, is compared with August, 1933, on a per quart basis.

The second comparison is particularly graphic. It shows that since August a year ago state control of milk had sent the distributor's purchasing price up 1.24¢ a quart in New York City, 1.61¢ in the big upstate cities, 0.92¢ in the small cities. His sales price increase (averaged from market milk and surplus milk receipts) was less in every case—in the same order, 0.84¢, 1.154¢, 0.53¢. His spread had been cut 0.4¢ in New York City, 0.07¢ in the big upstate cities, 0.39¢ in the smaller ones. And, by the time Dr. Spencer had carried his calculations through all the cost and income entries on the distributors' books, he found that the net result of the year's change in the milk set-up was that, against last August's net profit of 0.06¢ a quart for the New York City group, 0.27¢ for the big upstate group and net loss

of 0.25¢ for the small upstate group, the same groups, taken in the same order, were this August showing net losses of 0.09¢, 0.03¢, and 0.44¢ a quart. Which doesn't indicate that the dealer is getting rich under "utility control."

Also Among Costs

Of course these losses are not, as a whole, easily ascribable to the machinations of the Milk Control Board. Sales have dropped during the year (4% in New York City). The net profits reported include the return on stockholders' capital. (But the New York City companies would have had to net 3% on June-August sales to pay 6% on invested capital, even with all goodwill eliminated from capital, and they did net only 1.1%.) The costs include interest paid on borrowed money and many other items of expense which critics have called far too heavy. And so far, the Milk Control Board has raised no question about the way in which selling and delivery charges have been run up in wasteful competition.

The report shows that operating costs have been slashed to some extent during the year. In New York City, for instance, this summer's costs were down to 46% of sales against 51.7% a year ago, a 14.8% drop that neatly matches the 14.4% rise in product cost. But, under NRA, labor costs (40% of the August operating costs in New York City) are going up. Dr. Spencer estimated that about Sept. 1 plant labor costs jumped 10%, drivers' wages 12½%—enough to raise the total operating cost 1.5¢ a quart from New York's average of 1.7¢ a quart for labor. Drivers have recently been asking metropolitan housewives to "buy an extra quart to help the re-employment drive."

Smaller Dealers Lost

In bringing out these facts, the Spencer report may quiet the farmers a little, but it is not going to make the small dealers happy. Breaking down the group figures, it shows that the return per quart in August varied among New York City companies from a profit of 0.35¢ a quart to a loss of 1.28¢, and that, by and large, the profits went to the big companies. Of the 30 metropolitan distributors reporting, 22 chalked up an August loss, but only one of the 5 largest concerns was in the ranks of the losers. Of the 9 losers out of 22 in the big upstate

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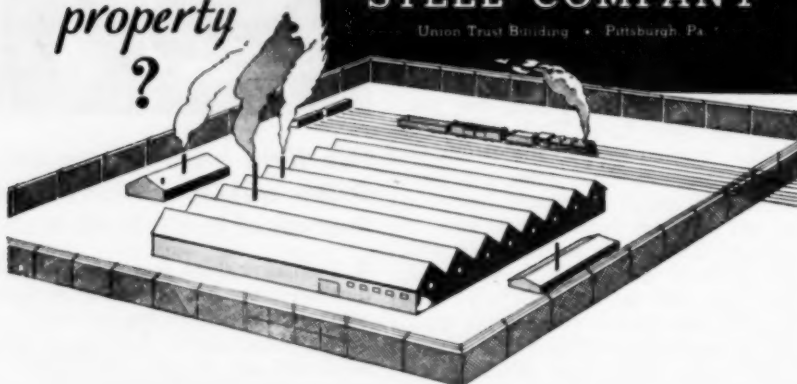
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cities, none was among the first 5 in size. "Obviously," concludes Dr. Spencer, "if prices were so adjusted as to permit only a reasonable profit to firms of average efficiency, a large number would in time be forced out of business." By the figures he seems to mean the little fellows. They won't like it and the farmers are already uneasy about "monopoly," but, like other utilities, this milk utility appears to be a large-scale operation.

So far, the New York State regulations have sought to bolster up the little fellow. For instance, dealers in "unadvertised milk" are helped to hold their store business by a ruling that they may sell the stores at 1¢ a quart under dealers in "advertised milk," such as Borden, Sheffield, and Dairymen's League. The stores, in turn, can sell this milk for 1¢ less to the public (*BW*—May 10 '33). But the big companies insist that, despite the new controls imposed by the state, they still have to cope with chiselling, particularly in New York City.

TVA Takes Aluminum

Call for bids on copper wire at Muscle Shoals results in orders for rival metal.

TENNESSEE VALLEY AUTHORITY last month called for bids on "675 miles of copper conductor," according to their own statement; this month it bought 675 miles of aluminum conductor cable, steel-reinforced, from Aluminum Company of America. This \$400,000 worth of wire is to be used on the transmission line from Muscle Shoals to Norris Dam, a saving of \$278,000 compared with the copper bid.

Original bid requests, thought to be a gesture, asked for an alternate offer on the aluminum. The price offered was much cheaper than expected. Careful analysis of the cost per mile of useful line with Bureau of Standards assistance, gave aluminum the edge in the intercommodity competition even at present low prices per pound for the red metal. Obviously in this use the superior electrical characteristics and large diameter for a given weight of aluminum afforded substantial further advantage.

A desire to "promote" aluminum, on the part of its producers, may also have been an important factor in the favorable price quoted. The Aluminum Company naturally did not take kindly, a while ago, to the stipulation in the bids for Boulder Dam, that only materials that could be manufactured in California should be specified. They refused to build a California plant. This time apparently they wanted the order.

Business Abroad

Dollar drops below 60¢ in Europe. French government in same old budget tangle. British make steady industrial gains; worried over new Japanese invasion of home market. Italian labor and industry win new power.

Europe

EUROPEAN NEWS BUREAU (Cable)—When the dollar dropped below 60¢ of its old par value in Europe's great financial capitals this week, it set up a new train of business thinking.

Gold purchases in London and Paris by the RFC were known to have been small though the exact amounts are not published. Europe accepted what seems inevitable: the dollar will be shrunk to half its former value. Pounds climbed above \$5.40. Francs approached 7¢.

Greatest confidence rested on the pound. The overwhelming vote of confidence in Hitler in Germany last week tended to work against the franc. Foreign refugee capital increased the momentum at which it has been moving out of Paris. With dollars sagging, the demand for sterling pushed that currency up so rapidly that British treasury officials set the Exchange Equalization Fund in operation for the first time in months buying francs in vast quantities. Europe has not yet lost confidence in the inherent economic strength of the United States; it is merely uncertain over the immediate future of the monetary policy.

Second in importance of the week's developments was the announcement in Italy by Mussolini that the government would guarantee a \$32 million bond issue for the new Piedmont Telephone Co., a privately owned organization under government supervision, as is all Italian industry. It is one of the first instances in which a government guarantees a return on private capital invested in a private industry.

Much more significant was the announcement a few days later that Mussolini will abolish the Chamber of Deputies and substitute for it the National Council of Corporations in which are representatives of all major businesses, industry, and labor in Italy. It is an extension into the political system of Italy's corporate system which has controlled economic life since the Fascists came into power in Rome.

Great Britain

Business expanding steadily. Railways place big orders.

LONDON (Cable) — Business grows slowly but steadily better. Public money

is beginning to flow into the stock markets, though not in great volume. But over all is the continuing uncertainty as to the real significance of Roosevelt's gold-buying policy, and the lingering doubts as to the preservation of peace in Europe. There is no war talk—and there is little real anticipation of war—but the possibility is in men's minds.

Oil Shares Rise

The news that interstate transport of bootleg oil is now well under control in the United States was the cue for a rise in gasoline prices. This was not unexpected, but it brought the oil share market into prominence. This market, more than others, is the victim of that uncertainty which prevents even astute stock jobbers from taking any long view. At present there is a very keen interest in the growing progress and popularity of crude oil engines and in the beginnings of the Imperial Chemical Industries' scheme for extracting oil from coal on a large scale. Not only is such oil to enjoy a preference next year, but valuable contracts are ready from both Air Ministry and War Office. The performance of a heavy oil automobile at the Brooklands track—when more than 100 miles an hour was touched—has also stimulated the expectation of quick changes in this field.

London Puzzled

London is still frankly baffled by the Washington gold-buying policy. That the United States is buying is certain, but from whom and in what quantities is not yet known. Only this week did the dollar break seriously on the realization that Roosevelt is evidently going to carry his plan to the avowed end—a 50¢ dollar. The rapidly falling dollar caused the Exchange Equalization Fund to operate for the first time in many months. Four banks have been employed to buy francs in 100-million lots following the attack on the franc after the success of the German elections. London is prepared evidently to allow the gap between the pound and the dollar to widen.

Japanese Shirts for 25¢

Some concern has been caused by the appearance on the English retail market of Japanese shirts which sell for 1 shilling (roughly 25¢). The average middle class man in England is in the habit of paying anything from \$1.25 to \$4 for a shirt, with the better grades running up to \$6. The 25¢ Japanese shirt not only appeals to the working man but has a finish good enough to meet the demands of many white collar workers. A demand for an immediate tariff has already sprung up.

The announcement that the London & North Eastern Railway group is launching a £2½-million development program is expected to be followed by similar action by the London Midland & Scottish Railway, which is the largest of the 4 great rail groups and serves the



OFF TO MONTEVIDEO—Delegates from the United States sail from New York for the Pan American Conference. Reading from the left are Spruille Braden, Dr. Sophonisba Breckinridge, Secretary of State Hull, and Reuben Clark, Jr.

big industrial areas. The effect has been to stimulate the districts engaged in railway equipment manufactures, strengthen morale of all heavy industries.

The significance of the pronouncement by a railway board that it anticipates further expansion of trade is that the railways boards, like those of the big banks, contain directors who sit as the virtual (though not official) representatives of the big customer interests.

France

Paris is skeptical of new proposals to balance budget; government's position already precarious.

PARIS (*Wireless*)—Premier Sarraut, faced with the same difficulties in balancing the budget which caused the fall of his predecessor, M. Daladier, has resorted to a clever trick in his effort to keep his government in power. That he can maintain the confidence of the Radical-Socialists, however, is doubted. It will be no surprise if France soon has another new government without having made any progress in settling the budget problem.

Sarraut's new budget projects are divided into 2 parts. The first is deliberately framed as a sop to the Center and Right parties, on whom the government is forced to lean for support.

M. Sarraut proposes savings of 5.4 billion francs through economies and mild new revenue measures. Economies of 2 billions would be made by cutting salaries of civil and military employees, and reducing allowances to pensioners.

A second set of economies would come in a bill which would be submitted to Parliament after the first had been passed. In this second bill, the government proposes to save another 300 million francs through further reduction in war pensions to veterans, and to provide new income sources. It is probable this second proposal will never reach the Deputies for the government is expected to fall on the first half.

France Watches the Dollar

Almost as important to the business world as the budget tangle are the week's developments concerning gold and the stability of the franc. France considers ridiculous the rumors from New York that France may be forced off gold as a result of the Washington price-lifting program. The Bank of France has suffered some rather heavy losses of gold in the last 3 weeks but they are viewed as a normal development in the plan of the British to utilize the Exchange Equalization Fund once more to keep the pound from rising too rapidly, and to aid this scheme by buying heavily of French bills and gold. France seems not averse to allowing the dollar to decline without any interfer-

ence from the French. Although there has been a steady drain of foreign capital from Paris to London in the last few weeks, especially since the overwhelming vote of confidence for Hitler last Sunday, French capital is cool or at most is being withdrawn for hoarding as has been the case for 9 months.

French business is unchanged this week except for the wool industries, which have reported a marked pickup in demand in all districts with the approach of winter.

Germany

Hitler gets almost unanimous backing for home and foreign policies. National Advertising Council announced.

BERLIN (*Cable*)—Germans poured to polls last Sunday to cast their votes in a great expression of confidence in the Hitler government. The results—more than 40 million votes from a population of about 65 millions, and almost unanimously in support of the Nazis—exceeded the keenest expectations of the Nazi leaders and gives the government tremendous backing for both its foreign and domestic policies. For the time being, however, there is not likely to be any radical shift away from the policies already being developed.

Markets accepted the foregone conclusion calmly. Bonds were firm. Shares were irregular, though heavy industrials generally were firm.

Reichsbank Buys Bonds

The new open market policy of the Reichsbank, inaugurated this month, is designed to revive Germany's capital market. Already it has forced a lowering of money rates and created the possibility that the official discount rate will be reduced before January from the present 4% rate.

Germany's creditors under the standstill agreement will meet in Berlin on Dec. 5 to consider plans for the extension of the agreement which expires Dec. 31.

The decline in the number of unemployed by 103,000 in October is indicative of the steady but slow industrial improvement. Third-quarter output of steel was 60% above the total for the same period last year; cement output was up 40%; electricity 13%.

In view of universal complaints of individual manufacturers and trades regarding unsatisfactory export business, the relatively well maintained export figures of the last few months caused a lot of surprise and also a good deal of guessing as to this discrepancy.

It appears that the effect of foreign boycotts and other measures to curb foreign trade must have been offset to a certain degree by better sales to over-

seas raw material countries as well as by somewhat better prices.

While export values in 1933 are still below the 1932 figures—by 14% in the second quarter and by only 6% in the third quarter—volume of exported goods shows a more marked improvement; while in the second quarter volume was still 5% below 1932, it was 2% higher during the third quarter.

National Advertising Council

The National Advertising Council, organized under the law of Sept. 12, has been set up with appropriate speeches by Dr. Goebbels, Minister of Propaganda, and Herr Schmitt, Minister of Economics. It consists of 50 members, the great majority of whom are business executives representing trade associations and, individually, the country's leading industries. The "party" element is distinctly in the minority.

Precise administrative details are still lacking. Executive orders will be approved and issued by the council itself. So far it has merely been stated that the license fees on all advertising activities will amount to 2% of the turnover. The amounts collected will, however, be spent entirely in the interests of business itself, in the form of "centralized advertising."

Propaganda for German goods abroad remains one of the main avowed objectives of the new organization. Dr. Goebbels declared in announcing the organization of the Council that the government had no plans to interfere with private initiative in the field of advertising and stressed the obvious impossibility of "bureaucratic regimentation" in a domain where success more than anywhere else is dependent on individual effort. The main objective of the new Council is to raise the general standard of advertising and to fight unfair competition.

Latin America

Argentine imports licensed on "Buy from those who buy from us" policy. Blocked funds will be liquidated under new plan. Little expected from Montevideo conference.

ARGENTINA pushed into the limelight of world business this week with two bold moves affecting commerce in many foreign countries.

To the world at large the Argentine announced that imports into that country are to go on a license basis at once. "If you buy from us, we shall buy from you."

The government's foreign exchange control commission becomes a virtual dictator over all Argentina's foreign trade. Importers in Buenos Aires, or any of the port cities of the country,

must now secure a permit to secure from the central bank the necessary foreign exchange to pay for each of their orders as it goes abroad. This is not an obligatory move, but inasmuch as the importer will eventually need to get permission from the commission before it can pay its bills abroad it is not likely that many foreign firms will sell to Argentina without first seeing to it that the Argentine importer has a permit.

American Funds Adjusted

Britain is happy. The British have long bought more from Argentina than they have sold there. Americans are gloomy. The United States takes less than 8% of Argentina's exports, supplies more than 12% of the foreign goods entering that country. The one advantage of the new ruling is that Americans can know before shipping that they will receive payment in dollars. The volume of orders, however, will dwindle rapidly unless the United States finds some way of increasing purchases in the Argentine.

The second ruling affects only American exporters who already have balances frozen in Buenos Aires. After weeks of negotiations, an American committee representing the exporters announce that the Argentine treasury is about agreed on a plan which has been proposed for liquidating these accounts.

The plan as it stands this week provides for the issuing of monthly treasury bills by Argentina, to run for 15 years and to pay 2% interest. During the first 5 years, these bills will amortize at the rate of 4%. The balance will amortize at 8% a year over the last 10 years. According to present plans, the paper peso will be exchanged at a fixed value of about 37½¢. Nearly \$38 millions of American funds of various kinds had accumulated in the Argentine up to May 1 of this year.

British Accept Bonds

Some weeks ago, British exporters with funds frozen in the Argentine agreed to accept 20-year bonds bearing 4% in lieu of immediate settlement of their debts. Argentina has tried to induce United States creditors to accept the same plan but Americans have avoided the plan because it is impossible to find a ready market for Argentine bonds here now. Argentine treasury bills, it is assumed, can be discounted. This provision for early payment of at least a part of their bills due was secured by accepting a lower rate of interest. The present plan provides, however, that the Americans can convert their funds into the British-type bonds if they wish.

The Argentine is one of the wealthiest markets in Latin America, but its new nationalist policies will shut out American products beyond a very limited quantity.

French, Dutch, Swiss, and Belgians with frozen funds in the Argentine have offered that country a loan of \$20 millions on a basis similar to that which British creditors accepted recently. This gives the Argentine the use of these funds at 4% for 20 years, with amortization not to begin until 5 years from now.

United States delegates sailed this week for Montevideo where they will attend the Pan American Conference. With the delegates unable to discuss currency stabilization, uniform import prohibitions, or permanent customs duties because of restrictions of the Administration, little is expected from the conference. There is some concern among United States exporters because of the jump Europeans are getting in the Latin American market by negotiating this year for permanent treaties.

Far East

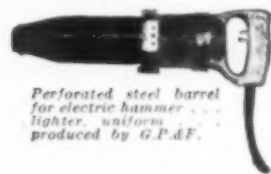
Japan depressed by low price for raw silk. China increases imports; regulates private utilities.

NOT even the continued heavy exports of cotton piece goods can overcome the growing pessimism among Japanese due to the steady drop in the price for raw silk. Quotations this week touched a new low for the year nearly 40% below the peak for June. The stock market is irregular with industrial shares strong. Yen exchange is strong and in an upward trend.

In China, increases are noted in the following products imported into the country during the first 9 months of this year: wheat, artificial indigo, gasoline, kerosene, fuel oil, newsprint paper, lumber, motor trucks, rubber tires, airplanes, tinplate, munitions and radio sets. Heavy decreases are noted in raw cotton, leaf tobacco, flour, sugar, cotton piece goods, textile machinery, and rayon yarn. The United States continues to head the list of countries trading with China.

The government has sanctioned regulations governing the operation of public utilities under private companies. The domestic bond market continues to hold up well with no reaction to the changes in the Ministry of Finance.

Shanghai's major industries—the manufacture of silk, cotton textiles, and flour—are suffering from the generally unfavorable economic conditions, and exports are not responding to the usual autumn impetus. A considerable amount of idle capital is lying in the banks with limited outlets for investment. Shanghai real estate values still maintain their level with building construction continuing active, but there are evidences that a saturation point is being approached.



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G.P.&F. STAMPINGS

THE MEASURE OF AN ENGINEER'S VALUE

"I would regard my engineers and research men as the apples of my eye. But if they failed to keep abreast of and usually ahead of competition, I would consider them decayed apples and treat them accordingly."

From an article by a manufacturer in *Advertising Age*, September 2, 1933.

Visit the Heating and Ventilating Exposition at Grand Central Palace, New York, in December.

See the newest and best in methods, machinery, materials, instruments, tools and supplies. What you can see there will be standard practice for at least two years to come. Talk to the engineers who created these products—they are there to discuss your problem, to explain and demonstrate—in short to help you.

Don't miss it. For your own good, for your organization's, for your profession's—you couldn't spend the time to better advantage.



The Figures of the Week

Cautiousness characterizes business. Hope of steel code revision deters some buyers. Meanwhile, stocks are ample for current needs. October department store sales lagged, but mail order houses gained.

CONTINUED efforts to depress the dollar abroad have so far had but small effect upon the domestic price level, though recent flurries have raised hopes of the beginning of a new upward move. The ample stocks accumulated during the summer months are proving a bit burdensome in some quarters. Department stores are seeking to move at least a part of the supply by staging pre-holiday sales. October results may have been an incentive to arouse consumer interest, for sales in leading centers failed to register the usual autumnal gains. On the other hand, chain stores and mail order houses found buying somewhat better in October than during the preceding month, and even better than a year ago. The lag in the correction of catalogue prices during a rising price cycle may have helped the mail order houses.

Employment records for October are beginning to be published, though forecasting the national trend becomes more

difficult this month. The surprising and steady gains recorded in the past 6 months are likely to be pared considerably. New York State, a leader in manufacturing activity, finds employment just about the same as in September, while payrolls were fractionally smaller. Pennsylvania reports a small increase in employment and a 3% gain in payrolls.

Insurance Sales Up

Insurance salesmen are benefiting by the upturn in business activity since the spring level. October sales improved over the preceding month, narrowing the spread from a year ago to less than 2% compared with 9% in September. A substantial gain in industrial insurance was a major factor.

Distribution of about \$350 millions of Christmas Club savings in the next few weeks, together with disbursements of funds released from closed banks, particularly in Detroit, should prove a lifesaver to lagging local trade.

Meanwhile, the West has been treated to a fiery succession of speeches from Secretary Wallace and General Johnson in defense of the agricultural and industrial programs. In the East, the sagging of the government bond market following the pounding of the dollar has aroused the New York State Chamber of Commerce to crusade for the cause of "sound money."

The combination of steady releases from miscellaneous consumers, some orders from motor manufacturers, and a little progress in public projects served to brace the steel operating rate beginning Nov. 13. But trade journals remain convinced that no major pickup in activity is likely before the end of December at the earliest. They point to the substantial stocks of motor manufacturers whose 1934 programs are lagging behind schedules both on account of delays induced by the recent strike of tool and die makers, and also because of lack of final decisions on new models. Nor is the railroad buying program getting under way as rapidly as anticipated. A few roads have announced that they will buy rails, but only the Pennsylvania has called for bids on definite tonnage.

The fact that the steel code terminates its 90-day trial period on Nov. 17 may also be a factor in delaying purchases. Both railroads and motor manufacturers

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
*59.9	†59.9	53.0	
PRODUCTION				
Steel Ingot Operation (% of capacity).....	27.1	25.2	18	49
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis).....	\$5,793	†\$5,626	\$4,262	\$13,560
Bituminous Coal (daily average, 1,000 tons).....	1,169	†1,230	1,217	1,595
Electric Power (millions K. W. H.).....	1,617	†1,583	1,521	1,673
TRADE				
Total Carloadings (daily average, 1,000 cars).....	101	106	98	147
Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars).....	66	67	65	95
Check Payments (outside N. Y. City, millions).....	\$2,801	\$3,049	\$2,299	\$4,774
Money in Circulation (daily average, millions).....	\$5,682	\$5,652	\$5,657	\$5,083
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$84	\$84	\$44	\$80
Cotton (middling, New York, lb.).....	\$1.01	\$0.98	\$0.65	\$1.22
Iron and Steel (STEEL, composite, ton).....	\$31.59	\$31.59	\$29.32	\$32.79
Copper (electrolytic, f.o.b. refinery, lb.).....	\$0.79	\$0.78	\$0.52	\$1.10
All Commodities (Fisher's Index, 1926 = 100).....	71.6	71.8	60.3	80.4
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)....	\$2,570	\$2,556	\$2,211	\$1,732
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$16,719	\$16,749	\$16,982
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$5,003	\$4,989	\$5,218
Security Loans, Federal Reserve reporting member banks (millions).....	\$3,590	\$3,604	\$3,771
Brokers' Loans, New York Federal Reserve reporting member banks (millions).....	\$739	\$749	\$360	\$2,701
Stock Prices (average 100 stocks, Herald Tribune).....	\$96.78	\$95.86	\$86.56	\$132.69
Bond Prices (Dow, Jones, average 40 bonds).....	\$80.51	\$82.12	\$78.80	\$90.02
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange.....	.8%	.8%	1%	3.6%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City.....	1½%	1½%	1½-1½%	4.0%
Business Failures (Dun and Bradstreet, number).....	338	294	495	456
*Preliminary †Revised				

BUSINESS INDICATOR



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For any further information, write the editor.



hope to see some modification and simplification in the regulations. The Pennsylvania Railroad order offers a test case on the delivery clause. It specifies that deliveries are to be made throughout the year 1934, while the code bars delivery beyond a given calendar quarter. Motor manufacturers want a concession on the matter of truck delivery of steel products.

New Steel Series

The steel code has sounded the death knell of one of the oldest statistical series widely utilized to forecast the future trend of business, namely, unfilled orders of the U. S. Steel Corp. In its place the Steel Corporation has released its record of monthly shipments. The 2 series do not fill the same purpose, for the former indicated the steel buyers' guess on future requirements, while the new series is a reflection of past decisions on steel needs. However, the last few years greatly reduced the forecasting values of the figures, since forward buying became less and less of a necessity when mills fell below the 50% of capacity operating rate. Even at their best, the figures were misleading since they represented no obligation on the part of the buyer to take the full amount of tonnage booked. The new series for 1933 indicates that the bottom of steel shipments fell in the well-known month of March, when only 256,793 tons of steel left the mills. Improvement followed rapidly in the wake of increased productive activity, reaching a peak of 701,322 tons in July. An 18% decline to October left shipments for the month at 572,897 tons. In the same period, production fell off 34%.

Coordinator Eastman is wasting no

time in finding ways and means to stimulate capital goods industries through encouraging railroad buying. Another questionnaire has gone forth to the roads inquiring about the status of locomotives with a view "to secure reliable data bearing upon the needs of the railroads with respect to the retirement, replacement, or modernization of their motive power." A Transportation Loan Division has been set up to advise the Public Works Administration in its lending activities to railroads. In addition, the Reconstruction Finance Corp. has reduced its lending rate on new and existing railroad loans to 4% annually for 1 year beginning Nov. 1, 1933. Steel reports awards of 514 freight cars compared with 23 the preceding month.

1934 Models in December

Not before December will automobile production reach any volume output in the opinion of close observers. Fear that the January shows will find many a manufacturer and dealer short of cars is still expressed. October passenger car sales based on returns from 107 key cities as compiled by R. L. Polk & Co. indicate a 16% decline from September, but a 110% gain over a year ago. Estimates for the year are placed at 1.4 millions compared with 1.1 millions in 1932. Truck sales have done equally well this year. General Motors' deliveries of cars and trucks to consumers in October numbered 63,518 compared with 71,458 in September and 26,941 a year ago.

October motor production, according to the National Automobile Chamber of Commerce whose figures still omit those of Ford, is placed at 99,169 units, a 415% gain over a year ago, and a

33% decline from September. Ford's output is variously estimated at 22,000 to 30,000. Objection of Ford to the recently posted steel prices is believed the cause of his starting up 4 open hearth furnaces and 1 blast furnace. These will still not supply his total needs under normal operation. Comptroller General McCarl's ruling making Ford dealers eligible to bid for public contracts in spite of Ford's failure to sign the code caused quite a stir.

More Public Works

Public works awards are now appearing in better volume. *Iron Age* reports structural steel lettings of 35,400 tons, the third largest week of the year.

Coal production declined during the week ended Nov. 4. October output of soft coal was fractionally higher than in September, but 9% less than a year ago. This is largely the result of labor difficulties. Anthracite production was 5.6% below September and 10% below October, 1932.

Electric power production turned upward again during the week ending Nov. 11. Weather changes may account for most of the gains.

Carloadings continue their seasonal decline which may be expected to persist until the end of the year.

Check transactions declined only moderately for the week ending Nov. 8. Last year, a presidential election reduced trade activity substantially, since many centers had but 5 business days.

Currency circulation is beginning to give evidence of the usual end-of-the-year rise. The first 2 weeks of November have seen a \$55 millions increase in outstanding volume.

Fluctuations in commodity prices are now reviewed in a column on page 35.

The Financial Markets

Uncertainty bedevils Wall Street. Capital attempting to flee uncertain domestic prospects finds insecure asylum in foreign countries. Weakness of bonds disturbs financial houses. Commodity prices lag behind levels suggested by dollar decline.

MORE and more the financial community feels ill at ease as we approach the turning point in the road. What is ahead is concealed, and powerful financial groups are engaging in a guessing contest. The money markets offer the most amazing contradictions. With sterling over \$5.40, commodities and securities were weak. Such pivotal commodities as cotton and wheat, having strong political backing, were lagging in spite of the further decline of the dollar. Sterling commodities, such as cocoa and rubber, also hung back in face of sterling strength. On the other hand, silver which officially, at least, is in the background, has turned out to be one of the strongest commodities and has persistently advanced. On Nov. 15 silver reached a new high at 45¢, against 24½¢ in January this year. In spite of the advance in silver, securities of silver mining companies have been weak.

It is possible to explain the contradictory activity of the markets in face of the rising pound on the basis of a persistent flight from the dollar, but on this point we are bereft of any figures or data. The general impression is that Americans are selling securities here and buying pounds sterling. (There seems

to be little capital going to France.) This may also explain the apparent confusion in the security and commodity markets. If true, it foreshadows a further rise of the pound—that might go a long way as capital movements gained momentum, unless the RFC should see fit to apply the brakes by selling gold abroad as well as buying it.

That London has permitted the pound to rise to present levels when it had the instrumentality of the Equalization Fund at hand has surprised the older Wall street group and, in fact, has made it a little uneasy. Persistent rumors are that, while New York is buying sterling, English importers are buying dollars for future delivery to insure payment in present depreciated dollars. If the flight of capital continues, the Administration may deem it advisable to adopt some means of checking further dollar decline—either by selling gold or possibly stabilizing the dollar, which would automatically make for a return flow. The establishment of a free gold market in the United States also is not outside the realm of possibility.

In face of such possibilities, the flight of capital may be checked of its own accord merely because of the risk in-

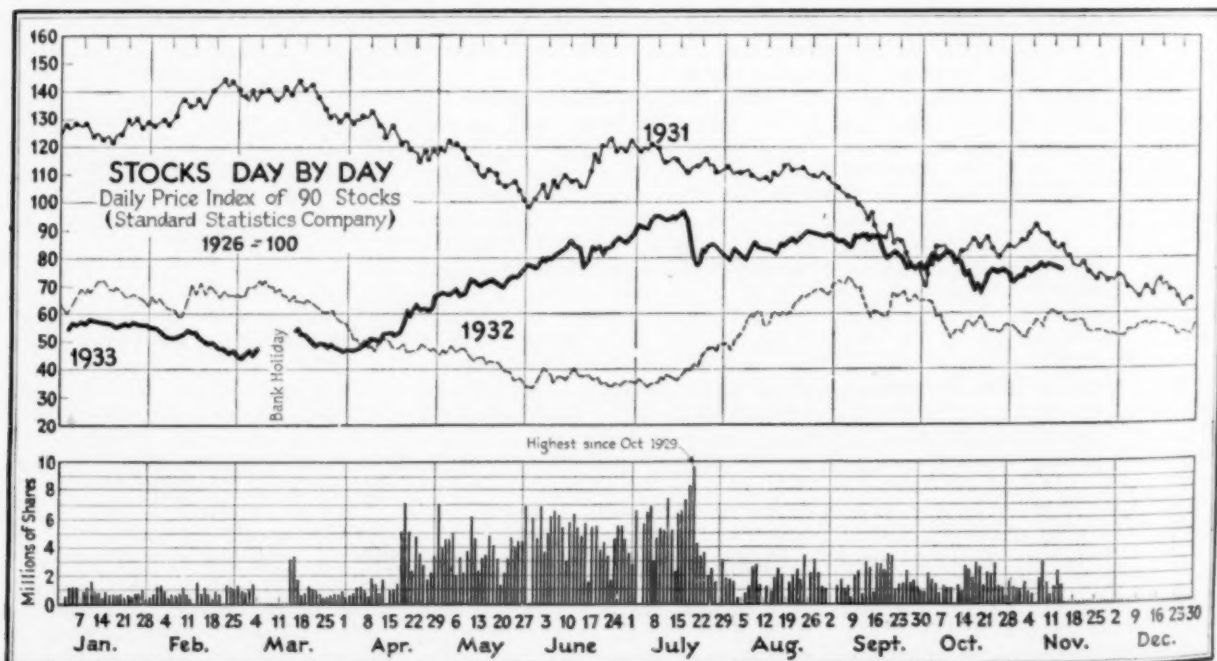
involved. Capital fleeing to England is affected by the policy of the British government which may proceed, as is not unlikely, with the depreciation of the pound sterling after the pound has been purchased by Americans at high prices. Such capital, therefore, is subjected to the risk of losses in two currencies rather than one.

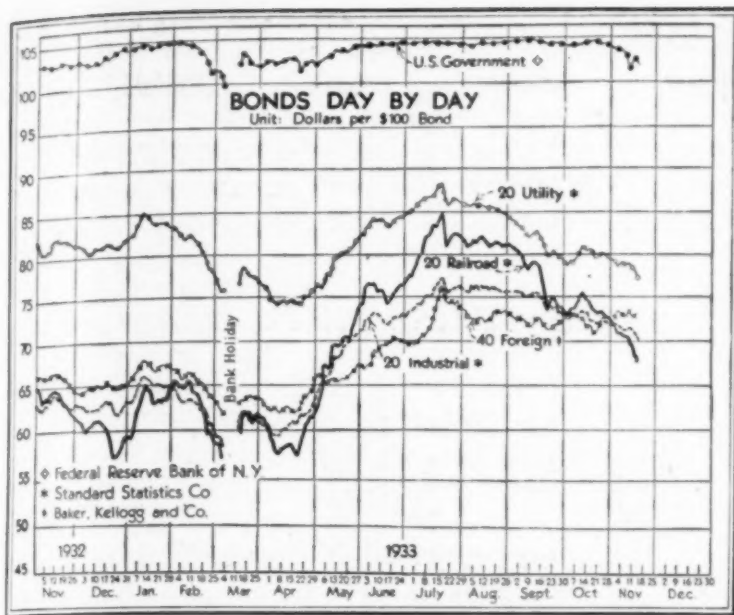
Moreover, the problem of repatriation is going to be serious unless the capital is content to remain in exile. While capital fleeing to England may show a paper profit as the dollar depreciates, it is quite another story to realize on that profit by bringing it back, at which time a large part of the gain may be cancelled or there may be an actual loss.

Another refuge for capital is investment in American securities dependent on foreign currencies. American holding companies of foreign corporations come in this category. Considerable capital has gone in that direction, but here, too, there are similar risks, and a substantial rise in the value of the dollar abroad would reduce the paper profits that now seem to be made when normal foreign earnings are translated into depreciated dollars.

Inflation talk in the financial community was, of course, sharpened by Secretary Woodin's departure on a leave of absence—to avoid the embarrassment of making statements that do not check with his convictions, said Wall Street—and by the resignation of Under-Secretary Acheson. The inevitable interpretation was that the hard money men in the Administration were giving way to the inflationists.

Figures coming from banking circles





continue to be exceeding orthodox. Loans and investments reported by member banks in 90 leading cities show a further decline and are now \$263 millions less than on the corresponding date last year. The banks have joined in the security selling movement. While the Federal Reserve banks have purchased \$20 millions, the reporting member banks have sold \$17 millions of government securities. Net demand deposits have declined \$122 millions. The Federal Reserve banks show a moderate increase of Federal notes and Federal Reserve bank notes in circulation—\$15 millions—and total money in circulation has increased \$32 millions. Member bank reserve balances have declined \$102 millions, but are still \$207 millions over last year. In brief, while the government is laboring to bring about higher prices by an adjustment of the currency, the banks continue to contract credit.

Stocks

THE vigorous advance made by the stock market immediately after election has now been checked and there has been a decided reversal. The advance was the consequence of a number of factors. In spite of decreasing industrial activity, as shown by business indices, reports on corporation earnings continued to justify cheerfulness. The depreciation of the dollar, coupled with the President's definite assurances of higher commodity prices, also augured a higher security price level.

So, in spite of falling business thermometers, indications that business was being stabilized were not lacking. Moreover, the President had announced a

new program to shift 4 million men from relief rolls to employment rolls, to be financed jointly by states, municipalities, and the federal government. October consumption of cotton by domestic mills, 504,000 bales higher than in September and higher than a year ago, conjured up for Wall Street's ears the music of whirring spindles.

The stock market is today in an interesting position. It must forecast the trend of business activity, it must appraise the influence of inflation, and decide to what extent inflation has already been overdiscounted. The increased volume of transactions in recent days indicates that the present market prices are less on a professional basis than for some time.

Bonds

THE sharp decline in all high-grade bonds, especially United States government bonds, was the most disturbing among the factors dominating the attention of Wall Street this week. The decline was checked, but it carried rails to the lowest point reached since last April. Utilities were subjected to severe pressure as an aftermath of election news, and industrials, though declining less sharply, also felt losses. Foreign bonds moved sidewise, unresponsive to the strength of foreign currency.

Commodities

COMMODITY prices continued a steady advance. The market situation at mid-week would have been considered buoyant in normal times, but the movement continues to lag far behind the the-

oretical levels suggested by the rapid depression of the gold value of the dollar.

Professor Fisher's index of wholesale commodity prices has advanced but little since the gold plan was announced Oct. 25. On the other hand, Moody's spot commodity price index advanced from 126.3 to 129.6 in the week ended Nov. 14, while a composite of commodity future quotations went from 47.90 to 50.90.

Adjustment Plan Aided

The agricultural adjustment program is the principal beneficiary from the recent price movement. Administration leaders have promised that our acreage of harvest crops in this country will be reduced by 30 million, and perhaps by 35 million acres. They credit the recent situation in commodity markets largely to a speculative discounting of a sure reduction in agricultural output. Experience thus far, particularly in wheat and cotton, indicates not only that acreage has not been reduced to the extent the Administration planned, but that the output of harvested acres has been materially increased by intensive cultivation. Inflation probably is the most effective impulse in commodity markets at present.

The most interesting situation develops in the hog market, where neither producers nor the government are satisfied with the 10% price increase since the first of the month. The market was deadlocked and stagnant for several days until the government entered into active competition with packers through surplus relief funds.

All cotton futures crossed the 10¢ level at which the government undertook to peg the price through crop loans. Wheat has been advancing rapidly toward the dollar mark and other grains have followed.

Tobacco was counted among the major crops in the recovery effort. A market and crop reduction plan in the flue-cured tobacco belt is to be financed by a processing tax, and similar arrangements are to be made in other tobacco territories. The Virginia crop has been selling at the highest prices since 1929. Government estimates are that growers of flue-cured tobacco will receive three times as much for their crop this year as last.

Silver Comes Through

Silver has lagged behind its selling potentialities and fooled most of the economists for more than a year. It is now doing what was confidently predicted for it months ago and this week reached the highest quotation in 3 years.

Commodity price indices for this week will be materially higher. With the exception of sugar, cocoa and hides, almost all commodities have advanced sharply on the exchanges and cash prices are not lagging far behind.

BUSINESS WEEK

The Journal of Business News and Interpretation

NOVEMBER 18, 1933

The Jest

Q. Oh, this investigation is funny?

A. Yes.

Q. Is it still a subject of amusement to you?

A. Rather.

Q. Quite a joke?

A. A little.

THE interlocutors are Ferdinand Pecora and Harry F. Sinclair, the scene the Senate investigation of Wall Street, its personnel, its practices.

Mr. Sinclair is to be congratulated upon preserving his sense of humor intact after so many vicissitudes. It developed in the course of the examination that his memory is not wholly perfect, so it may be that he has forgotten that the last time a Senate investigation crossed his trail the joking took a highly practical turn, and Mr. Sinclair was locked up awhile—all in the spirit of fun.

Mr. Sinclair's remarks have a certain importance. It does not appear that the transaction whereby 1,130,000 shares of Sinclair stock were unloaded on the public at \$12 millions profit violated either the law or the average ethics of the business world of 1929. But it is fairly evident that Mr. Sinclair's attitude is shared by too many business men. They do not appreciate the seriousness of what is being divulged before the Senate committee, or the inevitable consequences.

For some of the revelations have been much more shocking than a comparatively candid piece of predacity like the Sinclair pool. It has been revealed to the public that the greatest of bankers were preaching one thing and practicing another. Full of wise maxims of thrift and rugged honesty, they were yet not too fastidious to sell short the stock of their own institutions, were not too squeamish to take advantage of their own associates, and were—most appalling fact of all—ready to fill their own banks with shaky loans if only there was a personal profit in the deal.

The inevitable consequences of this are a rising tide of public indignation. It means that confidence in business leadership has been smashed just when leadership is most needed. This is bound to be reflected in the temper of the next session of Congress. That means any hope of reaching amicable compromise on those features of the Banking Act and the Securities Act which Wall Street declares unreasonable and unworkable has well-nigh been destroyed.

Moderate-minded men representing the financial world and the government have been working hard on these problems. There seemed good prospect of agreement on modifications which all parties felt would improve the hastily-drawn statutes, without in the least weakening their effectiveness. No doubt these negotiations and deliberations will go on, but the heart is out of them. For the feeling now is that Congress will be in no mood to grant any concessions to the financial community, and that even if the good sense of congressional leaders told them certain concessions were desirable, they would not dare appear to their constituents as men doing favors to Wall Street.

And that is not the end of the possible consequences. Out of the record as it is piling up is growing a demand for further regulation of financial institutions. Regulation of stock and commodity exchanges seems almost certain. Other drastic legislation will seek passage, it is easy to prophesy. The worse the temper of Congress when these things are attempted, the less judicious and well-designed will such measures be.

For all this, the financial community cannot blame the Senate, or its counsel. It has to lay the blame to the men whom it has held up to the country as leaders worthy to be followed.

Mr. Pecora—"It was a joke, but I do not know yet whom the joke was on."

Senator Conzen—"I think the public does."

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